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ULTURE APPROPRIATION BILL

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-FOURTH CONGRESS

FIRST SESSION

ON THE

AGRICULTURE APPROPRIATION BILL

OFFICE OF MARKETS AND RURAL
ORGANIZATION

(COMPLETE)

THURSDAY, FEBRUARY 10
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HOUSE OF REPRESENTATIVES,

COMMITTEE ON AGRICULTURE,

Thursday, February 10, 1916.

The committee met at 10 o'clock a. m., Hon. Asbury F. Lever (chairman) presiding.

STATEMENT OF MR. CHARLES J. BRAND, CHIEF OF THE OFFICE OF MARKETS AND RURAL ORGANIZATION.

The CHAIRMAN. Turn to page 192 of the Book of Estimates, and we will this morning take up the Office of Markets and Rural Organization. I will ask Dr. Brand, chief of that office, to take up the statutory roll first and explain by items, as I call them out, the reasons for any changes.

First of all, Dr. Brand, I notice one chief of office, transfer from lump fund for administrative expenses, \$4,500. That covers your own employment?

Mr. BRAND. Yes, sir; that is my own salary, and according to the provisions of law it is required that administrative and clerical positions of that character shall be transferred to the statutory roll.

The CHAIRMAN. Last year it was carried under the lump fund?

Mr. BRAND. Yes.

The CHAIRMAN. Has the lump fund been reduced by that amount?

Mr. BRAND. The lump fund has been reduced by a corresponding amount.

The CHAIRMAN. Next is one administrative assistant by transfer from lump fund for administrative expenses, \$1,980. That is a transfer with a reduction in the lump fund and at the same salary?

Mr. BRAND. That is a mistake, Mr. Chairman. Through a misunderstanding, this appears as a transfer from lump fund. As a matter of fact, it was included as one of the positions in our estimates for administrative expenses under the lump sum, but was not an existing position. It is a new position, but by error it has been called here a "transfer."

The CHAIRMAN. It is a new position?

Mr. BRAND. A new position.

The CHAIRMAN. Not by transfer?

Mr. BRAND. No, sir.

If it please you, Mr. Chairman, this new position is to be filled by a person to assist in the administration of the United States cotton-futures act. That work is a matter to which I give a great deal of personal attention, and this person is to assist in the administrative work in connection with that act. Much of the work is very exacting, requiring a great deal of personal care and attention, as you understand, Mr. Chairman, from the character of the regulation that is undertaken.

The CHAIRMAN. This man is not a scientific man at all, but an administrative officer?

Mr. BRAND. He is an administrative officer.

The CHAIRMAN. Then we have five clerks, class 4, increase of one by transfer from lump fund, for enforcement of cotton-futures act? That is a transfer at the same salary and with a reduction in the lump sum?

Mr. BRAND. Yes, Mr. Chairman; it contemplates the reduction of the lump sum by a corresponding amount. In every case where a transfer has been made the lump sum has been reduced in the usual way by the corresponding amount.

The CHAIRMAN. Is it true, also, that in each of these cases the transfer has been made at the same salary which was formerly paid under the lump fund?

Mr. BRAND. At the identical salary.

The CHAIRMAN. The identical salary?

Mr. BRAND. Yes, sir; unless otherwise specified. I have in memory that there may be one change of \$20, but if so it is specified.

The CHAIRMAN. Your next item is nine clerks, class 3, increase of four submitted. That is entirely new?

Mr. BRAND. That is entirely new.

The CHAIRMAN. Tell us a little about that, Doctor. Why do you need those additional clerks?

Mr. BRAND. Mr. Chairman, the office is divided into various sections, dealing with distinct problems. We have not been able yet to man all of these sections as they require to be manned, with head clerks particularly. Three of these four places are to be filled as follows: A head clerk for the section of marketing business practice, concerning which we will speak later; a head clerk for the transportation section, and one transportation clerk. We have developed very close contacts with the common carriers, and we now have promised to us the cooperation of 225,000 miles of the total mileage of the United States in furnishing us with reports on their total movement of perishable products. We need a competent clerk to handle the work that arises in that connection, and one of those is for that purpose. The fourth one is for an executive clerk in the matter of handling authorizations and fiscal matters of that character in the office of the chief.

The CHAIRMAN. These new places are the outgrowth of your work; is that correct?

Mr. BRAND. Yes, Mr. Chairman; and I want to say also that a number of the places that are estimated for as new in the Book of Estimates have since been filled and already constitute transfers from lump fund.

The CHAIRMAN. These new places would be needed, of course, I take it, upon the assumption that the committee will allow the larger part of the increases in your estimates?

Mr. BRAND. Not in these cases.

The CHAIRMAN. Not in these cases?

Mr. BRAND. No. These are all based on our present work. We are filling these places as rapidly as we can; and, as I say, a number of them will be filled before the year ends and will be transfers from lump fund.

The CHAIRMAN. Now, item 6: Fifteen clerks, class 2, increase of six, 2 by transfer from lump fund for enforcement of cotton-futures act, 1 by transfer from lump fund for administrative expenses, and 3 new places. The transfers have reduced the lump fund and are made at the same salaries? Tell us about the three new places.

Mr. BRAND. Mr. Chairman, as to the three new places, two of them are already filled. One has been filled by the employment of a statistical clerk and the other is in process of filling by the appointment of a stenographer by transfer, so that two of them, at this moment, would come under what constitutes transfers from the lump sum. The last one is a clerk to assist in our cooperative purchasing and marketing project. That is not yet filled but will be filled as soon as we can find a suitable person.

The CHAIRMAN. In these places you are just setting out what you are doing in the office?

Mr. BRAND. Yes, sir.

The CHAIRMAN. Item 7, one clerk by transfer from lump fund for marketing and distributing farm products. The lump fund has been reduced and there is no change in salary?

Mr. BRAND. That is correct.

The CHAIRMAN. The next one is one clerk, at \$1,320, by transfer from lump fund for enforcement of cotton-futures act. Does the same explanation apply there?

Mr. BRAND. Yes.

The CHAIRMAN. Item 9, 21 clerks of class 1, increase of 11, 5 by transfer from lump fund for marketing and distributing farm products, etc. Tell us about the new places, of which there are three.

Mr. BRAND. The explanation that I gave for the sixth item—I had dropped my eye down to the ninth item—should apply to the ninth item. As to the sixth item of three new places, one has actually been filled by a head clerk for the seed, grain, and hay marketing project; the second, a head clerk for the city marketing and distributing project has been requested. We have already asked the Civil Service Commission to certify a man to fill that place. The third is for an additional auditor in our division of supplies and accounts.

The CHAIRMAN. Give us the explanation of item 9.

Mr. BRAND. Shall I repeat the explanation for item 9?

The CHAIRMAN. Yes, sir; repeat that.

Mr. BRAND. Two of the places are already provided for. One statistical clerk has actually been appointed and is now serving. The Civil Service Commission has been called upon to certify a male stenographer. The third place is for an assistant clerk in our cooperative purchasing and marketing section.

The CHAIRMAN. Item 10, calling for one clerk at \$1,140, by transfer from lump fund for marketing and distributing farm products. Does the same explanation apply there?

Mr. BRAND. The same explanation.

The CHAIRMAN. Item 11, calling for 10 clerks at \$1,000 each, etc., and one new place. Just explain the new place.

Mr. BRAND. That new place at \$1,000, Mr. Chairman, has already been filled and is now occupied. It was not filled at the time the estimates were prepared.

The CHAIRMAN. These estimates were made when, Mr. Brand—about September?

Mr. BRAND. They were finished in September.

The CHAIRMAN. Item 12, one clerk at \$1,080, by transfer from lump fund for marketing and distributing farm products; the same explanation?

Mr. BRAND. A corresponding reduction of the lump fund.

The CHAIRMAN. Item 13, covering 11 clerks at \$900 each, an increase of nine, etc., two of which are new places.

Mr. HOWELL. What would be the situation if the committee did not allow for the new places? What would become of those men whom you have already appointed?

Mr. BRAND. They would continue to be paid from the lump fund, Mr. Howell.

Mr. HOWELL. There is no limit as to the number of places that can be created on the lump fund?

Mr. BRAND. Only the limit of the fund and the needs of the work. We place all of the new employees on the lump fund, and then in the succeeding estimates propose their transfer.

There are two new places mentioned there, Mr. Chairman, at \$900. One of them has actually been filled by a female statistical clerk, and the second is to be filled in the very near future by a statistical clerk in our work on marketing of live stock and meat.

The CHAIRMAN. Next, item 14, one clerk at \$840, by transfer from lump fund for marketing and distributing farm products. The same explanation?

Mr. BRAND. Yes.

The CHAIRMAN. Item 15, two clerks at \$720 each, both of which seem to be transfers.

Mr. BRAND. One of those positions involves a change in title from assistant multigraph operator to clerk. That is provided, Mr. Chairman, for this reason: This clerk was transferred from another department under the designation of assistant multigraph operator, an examination which has since been discontinued by the Civil Service Commission, leaving a very small number of persons in the whole Government service with that title. Hence, the opportunity for dealing with the position is limited strictly by the character of the duties, and we feel that a change will make it possible to use the person more freely in various kinds of clerical work rather than confining him to this one particular, narrow type of activity.

The CHAIRMAN. Are there any questions on those items, gentlemen? I wish to say to the committee that if you have any questions please ask them.

Mr. RUBEY. A moment ago you spoke of asking the Civil Service Commission for certification of some one for chief clerk in that section of your office having charge of city markets and something else. I do not want to ask embarrassing questions, but do the gentlemen certified to you by the Civil Service Commission always prove to be just the kind of men that you want?

Mr. BRAND. No; they do not, Mr. Rubey. The average of satisfactory persons is very high, but for these more exacting positions we try to find persons already in the service so that we can consult with responsible administrative officers and check up on the person's ability, because we can not afford to make many mistakes.

Mr. RUBEY. It just occurred to me that in a position of that kind you would want a man with a peculiar fitness for assisting in that

particular kind of work, and when the certification came from the Civil Service Commission you might not always get that kind of a man?

Mr. BRAND. We have had that experience, and then sometimes we are compelled at the end of the six months' probationary period to request the termination of their appointments.

Mr. LESHER. You could take a man out of your department and then fill that place with some one on the civil-service register?

Mr. BRAND. Yes; we do that.

The CHAIRMAN. Item 16, Dr. Brand. That is a transfer. What does this mechanical assistant do?

Mr. BRAND. This man is engaged in a very wide variety of duties in connection with the matter of devising methods for testing moisture, for instance, and the matter of devising ways of exhibiting cotton standards. This is a simple illustration of the kind of activity he engages in. I sent him to Baltimore last week to secure the steel dies for our new standards of tinges and stains. The war orders have raised prices so that what cost us \$11 a year ago they wanted \$25 for this year, but he is so quick-minded and such a thorough mechanic that he is able to handle these situations successfully, in addition to doing actual mechanical labor. In other words, he is more than a mere mechanic. In that particular case he devised a method in the course of an hour by slightly changing the method of preparing those dies which saved us \$175. He is inventive as well as mechanical.

The CHAIRMAN. He is an inventor as well as a mechanical assistant?

Mr. BRAND. Yes.

The CHAIRMAN. Item 17, one mechanical assistant, by transfer of one assistant in agricultural technology, at \$1,380, from lump fund for cotton testing, with change of title. The same explanation as in the other transfers, and it is the same character of work?

Mr. BRAND. The same character of work and the change of designation is made to describe more accurately the character of the work.

The CHAIRMAN. Now, item 18, three laboratory aids, at \$900 each, increase of two by transfer from lump funds for enforcement of cotton-futures act and cotton standards. That is the same, is it?

Mr. BRAND. Yes; Mr. Chairman.

The CHAIRMAN. Item 19, four laboratory aids, at \$720 each, increase of three, one by transfer from lump fund for cotton testing, and two from lump fund for enforcement of cotton-futures act. The same explanation?

Mr. BRAND. The same explanation to all of those.

The CHAIRMAN. Item 21, one photographer, by transfer from lump fund for enforcement of cotton-futures act. What does he do? Of course, we know what a photographer does, but how do you happen to need him?

Mr. BRAND. This man cares for all the field negatives, does all the developing, keeps the file of the photographs, and operates our photostat for copying purposes; he supervises, to a certain extent, the photographic work involved in the safeguarding of the cotton standards, and has all of the photographic supervision of the office. We have a great deal of our photographic work done in the photographic section of the department. He attends only to such things

as it is scarcely possible to transfer in a body to the photographic section of the department.

The CHAIRMAN. I see you have in the next item one photographer by transfer from lump fund for administrative expenses. Is the character of his work the same as the one above, and does the same explanation hold?

Mr. BRAND. Yes.

The CHAIRMAN. How do those salaries compare with salaries paid photographers in the commercial world?

Mr. BRAND. For photographers of this character, men who not only do photographic work but who supervise the work of others to a considerable extent and are responsible for files, I should say that these salaries are possibly a little bit low. One of these men, especially, is a particularly capable man, and both of them compare very favorably with the photographers that I happen to know in other branches of the service. One of them came to us from the Interior Department at the same salary he was receiving in that department.

The CHAIRMAN. Item 23, one telegraph operator, a new place, at \$1,400. What need do you have for a telegraph operator?

Mr. BRAND. Mr. Chairman, in our work; both under the cotton-futures act and in our experiments in market-news service, which I described to the committee last year and proposed as one of the activities for the current year when I appeared before you the last time, we handle a very large volume of telegraphic business. This man's duties are in connection with those matters. He handles the quotations from the spot markets, in the matter of cotton, and the quotations from the markets on perishables in our market-news work.

The CHAIRMAN. When we get to that item, Doctor, I wish you would remember to have whoever discusses it tell us something about the telegraph rates—the tolls, and so on. The question will very likely come up on the floor.

Mr. BRAND. I will do so.

The CHAIRMAN. Item 24, one telegraph operator. That is a transfer at the same salary, I presume?

Mr. BRAND. Yes.

The CHAIRMAN. That is also true as to item 25, one map tracer?

Mr. BRAND. Yes.

The CHAIRMAN. What does he do?

Mr. BRAND. A wide variety of work, not all of which is map tracing; but it happens that the examination of the Civil Service Commission under which we are able to get this kind of ability is entitled "Map tracer." The examination, I think, originally was held for the Geological Survey. Our work involves the measurement of the length of staple of various fibers, particularly cotton, drafting of various kinds, and similar duties; the lettering of charts and the preparation of various diagrams; all this work is expected of a person who is capable of doing map tracing. It merely happens that that register produces the kind of ability that we require for that work.

The CHAIRMAN. I see you have three of them, Doctor, all comparatively low-salaried men?

Mr. BRAND. Yes.

The CHAIRMAN. Do you have a good deal of that work?

Mr. BRAND. A great deal. They are women, as a matter of fact, Mr. Chairman.

The CHAIRMAN. Do you have a good deal of work of this character?

Mr. BRAND. Yes; we have, especially in the matter of studies of length in cotton, which will be extended to other qualities as soon as we can finish our studies in that respect. I will say that several of these persons were transferred with the change that was made last year in uniting the cotton-standardization work with the cotton work of the Office of Markets. Two of these particular employees were in that work.

The CHAIRMAN. Item 29, one laborer, at \$720, by transfer from lump fund for administrative expenses. The same explanation, is it?

Mr. BRAND. Yes, sir.

The CHAIRMAN. Item 30, one laborer, at \$660, by transfer. Same explanation?

Mr. BRAND. Yes.

The CHAIRMAN. I see you have dropped two messenger boys, at \$600 each, and changed their designation to messenger boy or laborer. The change of title there, I presume, is to give you a little more flexibility?

Mr. BRAND. More latitude in the assignment of duties.

The CHAIRMAN. No change in the salaries or the number, but just a change in designation?

Mr. BRAND. Yes.

The CHAIRMAN. Change of one laborer at \$540 to one messenger boy or laborer at \$540.

Mr. BRAND. For the same purpose, Mr. Chairman.

The CHAIRMAN. There is no change in the number of these messenger boys or laborers under item 32?

Mr. BRAND. They are actual transfers over from lump fund from positions previously occupied.

The CHAIRMAN. Then you drop four messenger boys at \$480 and change to four messenger boys or laborers, at \$480 each, in item 33. There is no change there, is there?

Mr. BRAND. No change.

The CHAIRMAN. Item 34, one messenger boy, at \$420, by transfer from lump fund for marketing and distributing farm products. That is the same explanation?

Mr. BRAND. The same explanation.

The CHAIRMAN. In item 35, two charwomen, at \$480 each; same explanation?

Mr. BRAND. Same explanation.

The CHAIRMAN. Now, item 36, one charwoman, at \$300; the same explanation?

Mr. BRAND. The identical condition.

The CHAIRMAN. Item 37, two charwomen, at \$240 each; the same explanation?

Mr. BRAND. Yes.

The CHAIRMAN. These \$240 charwomen here—just what are their duties?

Mr. BRAND. Cleaning up. They only work part of the day.

The CHAIRMAN. Let me ask this question: I presume the question answers itself, but I want it for the record. The reason for the number of transfers in your statutory roll—the apparent large increase in the number of places in your statutory roll—is due to the fact that your office is a new office and that up to the last fiscal year you had no statutory roll at all?

Mr. BRAND. That is true.

The CHAIRMAN. And now you are beginning the process of making your employees, transferred under the law from the lump-fund to the statutory roll, permanent appointees—

Mr. BRAND. That is exactly the case, Mr. Chairman.

The CHAIRMAN. Gentlemen, are there any questions on the statutory roll? If not, we will take up the general expense item, which will be found on page 196.

Item 39, "for acquiring and diffusing among the people of the United States useful information on subjects connected with the marketing and distributing of farm and nonmanufactured food products and the purchasing of farm supplies," and so forth, \$325,831, which is an actual increase in that item of \$105,451. There is no change in the language, the only change being in the amount carried in that appropriation.

Dr. Brand, our plan has been for the chiefs of the various bureaus briefly and in general terms to give us something of the nature of the work under each of these items and then let the gentlemen in charge of the actual work give us the details.

Mr. BRAND. In line with that plan, Mr. Chairman, I will present, first, a general statement concerning the item, and will discuss the first project in the cotton handling and marketing, which I have supervised more particularly myself. Then I will ask some of the other gentlemen to present the work to the committee.

Last year the appropriation for lump-fund expenditures under the item for marketing and distributing farm products was \$238,000. The present item contemplates a lump-fund increase to \$325,821, which is an increase of something over \$87,000 in the lump fund. That is to be used largely for extension of specific lines of activity, which will be developed by the project leaders as they appear, particularly the work in cooperative purchasing and marketing; the marketing of live stock, meats, and animal by-products; the work in market grades and standards; marketing business practice; grain, seeds, and hay marketing investigations; and investigations of the marketing of dairy products.

Those are the projects in which we are asking for the chief increases for the coming year. In all of this work we have requests of a very urgent character from the country to extend it, covering a very wide field and a very great multitude of products. We have attempted in all cases to confine proposed activities to lines of work where we felt we could really get for the people their money's worth by undertaking them. The interest and pressure regarding the marketing work is so widespread that there is a constant demand for taking up a vast variety of projects which we do not feel ought to be taken up. We have confined our estimates purely to those things with which, after investigation, we feel that some real results can be obtained; and it is in that spirit that the estimate has been made.

The work that I want to present first is the cotton handling and marketing work, which has been under way about four years. That is the first regular project in the Program of Work.

Mr. STEELE. I do not know that this is the proper time to introduce it, but is there any other appropriation connected with this division?

The CHAIRMAN. Oh, yes; there are several more items there, Mr. Steele—items 39, 40, 41—half a dozen more items that follow this. What particular thing had you in mind?

Mr. STEELE. What I had particularly in mind was how much the appropriation was last year—the total amount from every source.

The CHAIRMAN. For marketing?

Mr. STEELE. Yes.

Mr. BRAND. \$484,000, roughly.

Mr. STEELE. Is that a permanent appropriation, and then this an addition?

The CHAIRMAN. This is an annual appropriation which this committee makes from year to year.

Mr. BRAND. That is annually.

Mr. STEELE. Then, that will be included in the expense of this division?

The CHAIRMAN. Yes.

Mr. STEELE. \$480,000 and how much more?

Mr. BRAND. \$484,000 plus an unexpended balance of \$100,000 under the cotton-futures act.

Mr. RUBEY. I want to take up a matter with Mr. Brand at some time. I do not know whether now is the time or not. It relates to the marketing of live stock.

Mr. BRAND. Gov. Rubey, Mr. Hall, who is the leader of that particular project, will present it in detail, and we will be glad to answer any question then or now, as you prefer.

Mr. RUBEY. I just want to find out so that the question may be asked in the regular order and at the proper time.

The CHAIRMAN. Go on, Doctor, with your cotton handling and marketing.

Mr. BRAND. Some features of this work have been brought to the attention of the committee before. The particular lines of work that are being conducted include what we call primary market surveys, to which we have given a great deal of attention, with a view to determining with a degree of scientific accuracy the conditions that prevail in the transfer of title of cotton from the farmer to the buyer, with the margins and discriminations as to the grades and otherwise; and the sale from the first buyer to the port merchant, and finally to the mills, to determine how much of the money that the farmer receives is really paid on the basis of the merit of the article that he produces. In the course of that work we have carried on sampling surveys in considerably over 100 towns, with a result that has been exceedingly surprising. We found that on the same day, in the same market, the highest grade of cotton sold within that market brought from \$3 to \$20 less than the lowest grade; in other words, that there is no proper discrimination as to quality when the farmer parts with his product. We are trying to determine these facts and to call them to the attention not only of the producer but

the buyer whenever we can, in order to foster a proper application of standards to the cotton when the farmer sells it.

The CHAIRMAN. In that connection, I got a letter—yesterday, I think it was—from a gentlemen who sent me the bids on 18 bales of cotton from the upper part of the State, made on the same day in three neighboring markets. Of course, they were 6 or 8 or 10 miles apart, little market towns, and the difference in the bids on these 18 bales of cotton would vary one-quarter of a cent to 1 cent a pound in the different markets. There they were, all within a radius of 6 or 7 miles, the same cotton, the same samples, and the same man handling the cotton, bid by three different bidders and graders in three different markets. A cent a pound means \$5 a bale.

Mr. HELGESEN. Might there not be that difference in the grades?

The CHAIRMAN. It shows the value of this kind of work. It shows we have got to get to a point where somebody is going to say what the grade is. The cotton grader himself very frequently does not know the grade. He grades it by its looks—the color and the amount of trash in it—and says it is strict middling because it is very white and pretty, but it may not be strict middling. Some honest graders understand it and give the true grade. Some graders who do not know the grade deliberately undergrade. Then there is another type of grader who does not know the grade, but just knows white and yellow cotton when he sees them, and that fellow is always afraid he is going to overgrade, and, therefore, in order to protect himself, he undergrades, and the farmer is the burden bearer.

Mr. HELGESEN. There is no Government grading?

The CHAIRMAN. No.

Mr. BRAND. That is absolutely the case. We have carried on this work three years and have found these conditions, as in Oklahoma, where the work we have done has already produced marked changes and has returned good dividends, we believe, to the producer.

Then we carried it on in Texas, later we carried it on in nine other cotton States, and now we are continuing it in North Carolina and in a few other States and will fully round it out before leaving it, so far as it relates to short-staple cotton.

Mr. YOUNG. Have you operated in Texas?

Mr. BRAND. We operated in 22 different markets in the State of Texas. I could not name all of them, but they were very well distributed over the whole State, in order to cover all types of cotton and in order to cover all cotton practices over the State.

Mr. McLAUGHLIN. This committee has reported to the House a bill to provide for standardizing cotton, grain, flaxseed, etc. If that bill becomes a law, somebody must carry out this work that you have been doing. Is it proposed that you and those doing your part of the work shall go out and teach everybody dealing with these products mentioned in this standardization bill the different grades, for instance, the grades of cotton and the grades of wheat, oats, rye, barley, flaxseed, and so on?

Mr. BRAND. The two bills with reference to grading of grain and the grading of cotton, which were presented at the last session of Congress, were both reported favorably by the committee, and the grain-grades bill has been reported favorably this session. The cotton-standards bill, so far as I know, has not been acted on.

The CHAIRMAN. The cotton-standards bill has not been brought before the committee. Mr. McLaughlin is referring to the warehouse bill and the grain-standards bill, which have been before the committee.

Mr. BRAND. The language of that bill refers, as I understand it, solely to these products when stored in licensed warehouses.

Mr. HOWELL. Is it not a fact that the Department of Agriculture has already established standards of cotton?

The CHAIRMAN. Yes.

Mr. HOWELL. Without any law?

The CHAIRMAN. Oh, no; under authority of law, some years ago.

Mr. ANDERSON. Those standards are not compulsory?

Mr. BRAND. Those standards are compulsory only in the settling of contracts on future exchanges. They are not compulsory in the spot markets.

Mr. HEFLIN. How many grades have you?

Mr. BRAND. We have 9 white grades, and we have promulgated within the last two weeks 11 colored standards—5 colors for yellow-tinged cotton, 3 for yellow-stained, and 3 for blue-stained cotton.

Mr. HEFLIN. You mean in addition to your nine white grades?

Mr. BRAND. We have 9 white grade standards and 11 color standards, and the grades of the 9 white standards apply to the color standards. We have adopted the logical method of applying the grade of white standards to the grade of the color standards.

Mr. HEFLIN. Have the exchanges in this country all adopted the Government standards?

Mr. BRAND. The future exchanges are compelled to adopt them. The spot exchanges, or the greater majority of them, as will be developed later in the hearing, have voluntarily adopted them although not compelled to do so by law.

Mr. HEFLIN. Do you know whether the New York Exchange is now using the Government grades or not?

Mr. BRAND. It is.

Mr. McLAUGHLIN. Is it your view that permanently Congress should make an appropriation and men should be employed to go out and teach these different grades in all of these staple products—not only to demonstrate them to the exchanges and the large markets but to go to individuals and hold schools of instruction concerning the grading of each and every one of these products, so that the producer and seller of each and every one of them may know whether or not the buyer is giving him a square deal?

Mr. BRAND. It seems to me that that is a question of policy for the committee rather than for us to determine. It would involve very great appropriations and would be a very difficult line of work. It would be almost impossible to work with the vast number of producers that we have.

Mr. McLAUGHLIN. You have been doing something by way of instruction to somebody in connection with the grading of cotton. What has been your work in that regard? What I would like to know is, have you been confining it to the work with exchanges and to the large purchasers and sellers of cotton, or have you aimed to reach even the small individual producers and sellers of cotton?

Mr. BRAND. We rarely attempt to teach anyone the grading of cotton. That is a technical line of work which it would be very difficult to teach the average producer.

Mr. McLAUGHLIN. As a business; yes. But about the teaching of individuals as to what the grades are and how he can look after his own products and protect his own interests?

Mr. BRAND. We teach that only in a demonstrational way. We have carried on four or five demonstrations.

Mr. McLAUGHLIN. Now how?

Mr. BRAND. In connection with organized cooperative associations.

Mr. McLAUGHLIN. How?

Mr. BRAND. By stationing a man to assist the association by grading its cotton and at the same time to carry on these market surveys. We always aim to accomplish several purposes with the same man.

Mr. McLAUGHLIN. What does he do?

Mr. BRAND. For instance, in the case of North Carolina, where we have stationed a man temporarily at Tarboro and where the North Carolina authorities have taken hold and organized the persons around certain gins, our man actually grades their cotton. They are required to furnish him with a complete statement of all of their business transactions. They give him the price, to whom they sell, where they sell, etc., in order that we may get valuable data required in our studies, and in return we furnish through the organization the grade of the actual bale submitted.

Mr. McLAUGHLIN. That is getting down pretty close to the individuals who raise and sell cotton. I appreciate what you say, that it is a question for Congress to determine how far that work should be gone into; but I think it would be interesting to the committee to know what progress is being made and how long the work should be continued. If I remember rightly, the chairman said that this would be a temporary appropriation.

The CHAIRMAN. This marketing appropriation?

Mr. McLAUGHLIN. Oh, no; that in regard to assisting to diffuse this knowledge with reference to grades of cotton.

The CHAIRMAN. Oh, no; I do not think so. I do not remember making any such statement. Probably you are thinking of something else. Maybe it was the cotton-standardization work, where I thought the standard would be established and that then the appropriation ought to cease.

Mr. McLAUGHLIN. \$50,000 was put in two years ago at your request.

The CHAIRMAN. That was in connection with the establishment of cotton standards.

Mr. BRAND. That was the cotton-standards work in the Bureau of Plant Industry, and we requested a reduction of nearly \$40,000, if my memory is correct, in that item.

The CHAIRMAN. Last year.

Mr. BRAND. The item was \$91,000, and we reduced it to \$54,600, if my memory runs correctly.

Mr. McLAUGHLIN. It is immaterial what bureau handles it. It is the kind of work that is being done and the question as to whether or not it is to be continued.

Mr. BRAND. The appropriation for that particular kind of work was very largely reduced, but in a later item there is a provision for a continuation of the necessary part of that work, although, of course, the figures are very greatly reduced from the figure Mr. McLaughlin evidently has in mind.

The CHAIRMAN. My recollection is, Mr. McLaughlin, that the item to which you refer was at the time carried in the Bureau of Plant Industry as an increase in the item for the fiscal year 1914.

Mr. BRAND. Yes.

The CHAIRMAN. That was increased by \$50,000, and I probably said then that I thought that ought to practically complete the standardization work proper, and that whatever other work we did with reference to it in the future would be in reference to the demonstration of the value of those standards. Since that time the work has been transferred to this bureau.

Mr. McLAUGHLIN. Here is a line of work in which the gentlemen from this Office of Markets go to a particular locality and, as Mr. Brand says, grade every bale of cotton brought there to be sold.

Mr. BRAND. By the members of the organization with whom we are cooperating in this particular investigation and demonstration.

Mr. HELGESEN. If a proper Federal standardization law is enacted, making it compulsory all over the country, how much of the work that you have been conducting in the past would then be necessary?

Mr. BRAND. If such a law was passed I suppose we would have to continue to a certain extent, in connection with the work provided for under the standardization law, to do some of these same kinds of work, so long as people do not know how to apply the standards and do not know the standards and so long as new persons are engaging in the industry; but, in my opinion, it would all be carried on in connection with the standardization under the law.

Mr. HELGESEN. If you had a proper law, with competent inspectors in every market, would there be any necessity for the producer knowing anything about his grades?

Mr. BRAND. I think it would still be advisable, but I think there would be a reduction of the abuses and losses due to his not knowing his grades.

Mr. HELGESEN. I can not understand how, under a standardization law, you would still have to have some one to deal with the inspectors, seeing that they were properly doing their duty and taking proper grades and results to the producer. But I can not understand why it would be necessary for the producer to know what grade he has got, because, if the inspector gives him a square deal and honest grades, that is all he could get. No matter how much he knew he would get honest grades, anyway.

Mr. BRAND. I think there is a great deal of merit in what you say, but still I, as a producer, would want to know as accurately as I could the grade of my product when I was selling it.

Mr. HELGESEN. That is true. I believe that the Government should end its assistance when they give him a scientific, practical, honest grade.

Mr. BRAND. We take that position definitely; that it is not our duty, it is not the Government's duty, to do anything for producers that producers can do for themselves. We draw that line. As soon

as we feel that the demonstration has been completed we withdraw our assistance at that point, and we believe that the producers should there take up their own business.

Mr. McLAUGHLIN. Right there, do you believe it is a function of this Government to do everything for a man that he can not do for himself?

Mr. BRAND. I certainly do not.

Mr. McLAUGHLIN. Right along the line of Mr. Helgesen's inquiry, which supplemented my own—that it would be helpful, of course, to individual producers to know the quality and grades of their products and whether or not they are getting a square deal at the inspection office. If you are going to carry that to the limit—and you can carry it to the limit if you start; you are liable to go too far if you start—is it possible and is it the function of this Government to go out to all these producers and tell each one the quality of his product of cotton, wheat, rye, oats, flaxseed, and all those things mentioned, even of the few mentioned in the grading bill?

Mr. BRAND. We deal with that in this way: I will take a specific instance, the Cotton Growers' Association at Scott, Ark. We carried on a demonstration and investigation of this sort with those growers in their organization for one year, showing them the advantages of that kind of work and of having at hand a person who could tell the grades. The next year we withdrew that work, and they employed a man for \$3,000, having been shown that it was a valuable service they could render themselves.

Mr. HEFLIN. And in that same place, which I have heard of before, I understand they take the samples into town, having been graded by their man, and when showing those samples around town often they have had the grader there and called the grades lower than they were. They insisted on selling them at the grades their man named, and they succeeded in every instance.

Mr. HELGESEN. As I have got to leave soon, I would like to ask just one question.

The CHAIRMAN. All right.

Mr. HELGESEN. Do you think that the producers in this country of the great staple crops will ever be fairly dealt with on the markets of this country until we get a scientific and practical standardization that is conducted by the Federal Government?

Mr. BRAND. I think that both the grain-grades bill and the cotton-standardization bill, as submitted last year, are highly desirable and almost necessary pieces of legislation.

Mr. HELGESEN. I fully agree with you on that.

Mr. McLAUGHLIN. Mr. Brand has told of the employment of one man in Arkansas and of his work. I would like to know how many men of that kind have been employed and how many you propose to employ in a year; for instance, the cost of it, and how long you think it will be necessary to continue that?

Mr. BRAND. That question involves considerable figuring. I would be very glad to submit a statement showing the fiscal relations of this work and the amount expended on it.

Mr. McLAUGHLIN. How long was this man at this place in Arkansas?

Mr. BRAND. Roughly, four months.

Mr. McLAUGHLIN. What did it cost?

Mr. BRAND. His expenses per day were probably about \$3 in addition to his railroad fare. I suppose his whole expense was possibly \$700.

Mr. McLAUGHLIN. At how many places were men similarly employed?

Mr. BRAND. It has varied from time to time during the past year. During the past year we have worked in about six different places on this particular type of work.

Mr. HOWELL. What is the salary of the men?

Mr. BRAND. It varies greatly. Some of them get as low as \$1,400 and some of them get as high as \$2,250. It depends upon their competence and their usefulness for other activities as well as this type of activity.

Mr. McLAUGHLIN. To how many places, what kind of places, how large, and so on, is it proposed to send men to do that kind of work?

Mr. BRAND. We confine that absolutely to this proposition: We require that there be an organization with which we can cooperate and that there be a problem whose solution appears to be worth while. We have a great many requests from all over the cotton belt for assistance, and we select from those only the ones that we believe will produce results valuable in a wide sense—not purely to the locality.

Mr. McLAUGHLIN. You will pardon me, but you are getting a little away from the subject we are talking about. You spoke of a particular line of work. You spoke of problems which you thought would be interesting and necessary of solution, and so on. We were speaking of but a particular one—one place in Arkansas.

Mr. BRAND. Yes.

Mr. McLAUGHLIN. Will you kindly tell us how many and in what kind of places you think that work ought to be carried on?

The CHAIRMAN. He told you it was carried on in six places this past year.

Mr. BRAND. I would be glad to name them: Sweetwater, Tex.; Gadsden, Ala.; Tarboro, N. C.; and Camden, Little Rock, and Scott, Ark. Those are the chief points.

Mr. McLAUGHLIN. I suppose there was a reason for selecting those places. Will you tell us what influenced you in selecting those places and how many of them you think there are that should be reached?

Mr. BRAND. We were influenced solely by our knowledge of conditions in the localities, as indicating that we could secure valuable results. The promised cooperation of the State authorities, the agricultural college, or the commissioner of agriculture, as the case may be, or the director of extension, has usually been one of the determining factors. We always work with the demonstration agencies within the States. We select on the basis of a place that wishes the investigation, where results can be secured, and where the cooperative contacts that are necessary can be made. We use those general principles in determining all cases.

In some of these cases we happened to know in advance of an organization that would carry out its agreements and do all of those parts of the work that it agrees to, and, of course, that is an important consideration in the determination by our office as to where we will work.

Mr. McLAUGHLIN. I presume, also, you would not go to a small place, even if they were enthusiastic over it and offered you all kinds of inducements?

Mr. BRAND. Yes, we would. We went to Atkins, Ark., the year before, which is a small place, but it had its particular problems and we considered them very worthy of investigation; and in that particular case excellent results came from the work, which have been applied in other sections. The work attracted sufficient attention so that the Texas people, through Mr. Ousley, the director of extension, went to Arkansas to investigate the character of the work, so that he could introduce some of its features into Texas.

Mr. McLAUGHLIN. Then, there would be no limit to the number of places and the number of men to be employed or to the expense of carrying on the work?

Mr. BRAND. We recognize the limitations of expenditure of money in any one particular direction, we do not request large sums for such purposes, and we request them only when we feel sure there are specific things to be done which are worth while. In this particular case we are asking an increase in the lump fund of \$5,440.

Mr. STEELE. Doctor, last year, as I understand it, you had an appropriation of \$484,000. Has all that money been consumed, or will it be at the end of the fiscal year?

Mr. BRAND. Very nearly all of it.

Mr. STEELE. How many men have you under your employment now?

Mr. BRAND. Roughly, counting all classes of persons, 275, which includes laborers and minor clerks.

Mr. STEELE. I want it definitely. How many men have you under your employ?

Mr. BRAND. I could not tell you that exactly, because there is constant change; but I will be very glad to furnish the exact figures if you would like them.

Mr. HEFLIN. Do you mean under his bureau, Mr. Steele?

Mr. STEELE. Yes, sir.

Mr. BRAND. Substantially 275.

Mr. STEELE. Consuming this \$484,000?

Mr. BRAND. Yes, sir.

Mr. STEELE. You are asking an increase of \$351,151. How many men do you expect to have under your employ to consume that appropriation—of which there will be \$835,201?

Mr. BRAND. That would involve an increase in the personnel of possibly as many as 100 people. One of the large items there—

Mr. STEELE. That is all I want you to say. Have you in mind 100 capable men who are competent to go out and do the work which you require them to do?

Mr. BRAND. We have not in mind at this moment 100 men, but we have established registers, through the Civil Service Commission, by examination of competent people along practically all of the lines of work for which these increases are to be used if granted.

Mr. STEELE. Then you believe that you can find 100 men in the next 90 days that you can put out into the field to do the work which you require?

Mr. BRAND. We do not think, Mr. Steele, that it would be good administration to try to put on that many men in so short a time.

We will still be in the process of selecting some of those people at very nearly the end of the fiscal year, because we do not believe in putting on a lot of new people until we can digest them, break them in, teach them the necessary phases of the Government work, acquaint them with the work, and we do that gradually. We take these people from the registers and put them in Washington first, and acquaint them with what they must do, and we can not digest more than a reasonable number at a time. So we are very careful in not overloading at any one time.

Mr. STEELE. Of these 275 employees, how many have you in Washington?

Mr. BRAND. The majority of those are in Washington—have headquarters here.

Mr. STEELE. Then you have not many out in the field at the present time?

Mr. BRAND. They work from Washington into the field. We have started very few field stations. During the coming year we expect to put some of these people into the field. A new office, Mr. Steele, has difficult work in breaking in the new people, and you can not trust new people in the field until you have gotten them properly broken in. During the coming year we will be in a position to trust a great many of these people in the field.

Mr. ANDERSON. Referring again to the line of inquiry started by Mr. McLaughlin, you have demonstrated to your own satisfaction, and I presume to the satisfaction of those with whom you co-operated, that where a cooperative organization is established it is desirable and possible for that organization to employ a competent person to grade the cotton that they have to sell. Do you think it is the proper function of your office to continue by putting into these various cooperative associations men to demonstrate that fact to their satisfaction?

Mr. BRAND. We would not go to a very far limit in that sort of thing. Having determined the facts and having demonstrated them in a number of typical and representative places, if the producers or their organizations were not willing to undertake the activity we would feel there was no use for the Government to spend its money trying to force them to do things which were apparently to their own advantage.

Mr. ANDERSON. I understand, but if, after you have once demonstrated the feasibility and desirability of the proposition, you are going to merely send a man to a cooperative organization here and another man to a cooperative organization there for a short period of time to demonstrate to that particular organization the necessity or the desirability of a grader to grade their cotton, you can not cover all the ground. Consequently your effort becomes a mere special privilege, which you give to people here and there whom you select, and they are no more entitled to it than anyone else.

Mr. BRAND. There is a special privilege that we recognize and which we protect very carefully; but the results of that work are made very widely available through publications, through the county demonstration agents, and through all of the machinery available, so that it is not specialized to an extent that is contrary to good public policy. You have got to do your work somewhere; you can not do it everywhere. You select the best place you can possibly

find, secure the results, and make them as widely known as you possibly can through the channels available.

Mr. ANDERSON. The limitation, then, upon the amount of cooperative work of that character that you can do is the amount of the appropriation itself?

Mr. BRAND. Yes; and we are asking, as I said, \$5,440 for this and numerous other activities under this project. I might say that one of those activities relates to selling cotton in the seed; and I brought along a box to show the practical results of that kind of work.

Mr. ANDERSON. I don't want you to get away from my questions.

Mr. BRAND. I did not realize that you had not finished.

Mr. ANDERSON. I do not know anything about the marketing of cotton, but I would like to ask you if in the ordinary country markets of the South such men as graders exist?

Mr. BRAND. Yes.

Mr. ANDERSON. Is it ever going to be possible or profitable to employ in the country markets a grader of cotton, either by the municipality or in some other way? In other words, would it be feasible, as it has been, for instance, in some places, for the municipality or the county or the State in the small market to employ a grader who would grade the cotton that came in?

Mr. BRAND. I think that might be practicable. It is done in the case of the weighers. There are public weighers generally who receive a fee for their services; and I have no doubt as we develop better methods there will be many cases where it will be found feasible to do that sort of thing with respect to graders.

Mr. ANDERSON. To what extent is the cotton as it is received at the local market from the farmer actually graded now—I mean accurately graded?

Mr. BRAND. To a very slight extent.

Mr. HEFLIN. By competent graders?

Mr. BRAND. By competent graders.

Mr. ANDERSON. The grading, then, as it has come into existence is practically limited to grading in the terminal markets?

Mr. BRAND. It starts just a little sooner in the cotton trade than it does in the grain trade. The local merchant has the services of a relatively competent grader, so that the next sale begins to weed the product out in the lines of proper grades; but it is not finally and properly graded until substantially at the port markets, which is the equivalent of the terminal grading in the grain trade.

Mr. ANDERSON. But this grader is employed by the buyer and is therefore an interested grader?

Mr. BRAND. Yes, sir.

Mr. HEFLIN. In that connection, Mr. Anderson, when the merchant sells his cotton to a buyer who comes into the town he brings his classer and grader with him, who is an expert man.

Mr. McLAUGHLIN. Who teaches him? Out of what appropriation has he had a demonstration and course of instruction?

Mr. HEFLIN. I do not know where he gets his information, but he is an expert classer and grader.

Mr. BRAND. He is learning in these cases, and he is taking very kindly to this class of work. The merchant and the merchant's grader have found, especially in Arkansas, distinct advantages in

having cotton come to them graded into relatively accurate, even-running lots. It begins immediately to simplify the distribution of the product, and I may say that in no case in the cotton belt itself has there been any combined opposition to our work. This applies both to the merchants and their graders.

Mr. ANDERSON. To what extent is the grading of cotton in the terminal or local market regulated by State laws in the State in which these markets exist?

Mr. BRAND. Practically it is not regulated at all. Texas has passed a gin-sampling law which requires that samples be taken at the gin and that the grades be declared thereon. It is a new departure and one which requires investigation before we can determine the methods by which that kind of activity must be carried out. In one of these lines of work under this project we are cooperating with the State of Texas under that law.

Mr. ANDERSON. If the standards for cotton are promulgated, as I understand they are, it would be perfectly feasible, would it not, for the State to establish the machinery for the application of that standard in these local terminal markets?

Mr. BRAND. In some of the States it would be relatively simple, I think, to do that; in most of them it would not. They have not developed any organization for dealing with the problem. Very few of the States have any organization whatsoever to deal with the problem.

Mr. ANDERSON. They could create an organization by State legislation?

Mr. BRAND. I think they could. There would, of course, be a world of diversity in their activities that would destroy uniformity, I am afraid.

Mr. ANDERSON. I do not see how that could be if they were obliged, as they would be, to apply a standard which the Federal Government has fixed, assuming, of course, that sufficient supervision was provided to insure that the standards were honestly applied.

Mr. BRAND. I believe that in many States, and ultimately in most States, machinery of that kind could be developed.

The CHAIRMAN. Mr. Steele desires to ask a question.

Mr. STEELE. Professor, I did not finish up what I started out to analyze. You have the number of days that each one of your men has been out of Washington, have you not?

Mr. BRAND. I have no such statement compiled. I can compile such a statement.

Mr. STEELE. You also have the traveling charges of those men?

Mr. BRAND. Yes.

Mr. STEELE. I would like to have you insert in the record the actual expenses of the field with regard to this entire appropriation of \$484,000 to date, if you can do so. What I am trying to get at is how much of this money is expended outside of Washington and what good is being done.

The CHAIRMAN. We can show that, Mr. Steele, in a publication for expenses of last year. What you are driving at, I presume, is up to date for this year?

Mr. STEELE. Yes.

The CHAIRMAN. We have it for last year in the statement of expenditures in the Department of Agriculture.

Mr. BRAND. It is difficult to make an absolute separation of expenditures outside of Washington from those in Washington, but a very close estimate shows that about \$124,000 was expended outside of Washington during the first seven months of the present fiscal year.

Mr. McLAUGHLIN. How is it a matter of marketing to test the waste, tensile strength, and bleaching qualities of the different grades and classes of cotton in order to determine their spinning value? That is in item No. 41. We have not reached it, but it is right along in line with what I had in mind—that some of the things that are being done here are not marketing propositions at all. They may be directed by Congress.

The CHAIRMAN. Congress directed that the item be transferred. We appropriated for it in that manner, to be transferred from the Bureau of Plant Industry to this office here, and, as a matter of fact, the knowledge of the tensile strength of cotton is one of the most important factors in the marketing of cotton to arrive at its value.

Mr. McLAUGHLIN. It is not a marketing proposition.

The CHAIRMAN. I think it would be absolutely. Would you not think so, Mr. Brand, as an expert on cotton?

Mr. BRAND. It is essential information in the marketing of cotton, and, in addition, it is essential information in the preparation of the standards. We are unable to finally determine our standards without these tests as to grade, strength, and length.

The CHAIRMAN. And your standards are absolutely necessary in the economic and scientific distribution of cotton?

Mr. BRAND. They are an essential feature of the marketing process.

Mr. McLAUGHLIN. That is true as to everything that grows out of the ground.

The CHAIRMAN. That is true as to all staple products, and we are coming to it. You might as well make up your mind to it.

Mr. BRAND. We must have these tests in order to have our standards true standards; and the market value depends upon these factors.

Mr. McLAUGHLIN. Then we will have to go to work in the marketing proposition and test the seeds of all kinds that are to be sown, the breeding of all animals, and all that, as a marketing proposition, because all of those products finally reach the market.

The CHAIRMAN. That is just what we are doing now.

Mr. McLAUGHLIN. As a marketing proposition?

The CHAIRMAN. We are doing that under another head. The Bureau of Animal Industry is testing out breeding methods, and the Bureau of Plant Industry is testing seeds and doing these various things. This proposition is to take up the marketing end and distributing end of it.

Mr. HEFLIN. And you have been appropriating money for that purpose every year.

Mr. McLAUGHLIN. Yes, sir: but I do not think as a marketing proposition I have favored it. It does not seem to me to be a marketing proposition.

Mr. HEFLIN. They have been carrying on that work with your congressional aid for many years.

Mr. McLAUGHLIN. And let it be properly carried on by proper officers and under the proper head; but this will result in the mixing up of the work.

The CHAIRMAN. Mr. McLaughlin is not criticizing the work; he is criticizing the division of the functions of the various bureaus of the department.

Mr. McLAUGHLIN. It is not a marketing proposition, in my view, at all.

Mr. RUBEY. Referring to the questions asked by Mr. McLaughlin and Mr. Anderson about these rural organizations, cooperation, etc. I desire to call attention of the committee to the fact that this is an Office of Markets and Rural Organization, not entirely an office of markets. Congress has said that you must go into and study and assist in the development of rural organization, and you are doing that?

Mr. BRAND. Yes, sir.

Mr. RUBEY. And you are doing it in these cooperative associations that you are working with. I just wanted to bring out that.

Mr. McLAUGHLIN. In the organization of boys' corn clubs or in the organization of cow-testing associations?

Mr. RUBEY. In such organizations as would lead to better marketing facilities; that is the work of this office. This office is cooperating with the view of securing better marketing facilities for the products after they have been produced, and these other organizations—the boys' corn clubs and the girls' clubs—are for the purpose of producing better crops and better hogs and all that sort of thing.

Mr. McLAUGHLIN. My idea is that they are going back of that. That is all right, Gov. Rubey, but here we are going away back, if we follow it to its legitimate end, to the very beginning of the growing of the crops.

Mr. BRAND. No; we do not.

Mr. RUBEY. I think Dr. Brand has brought out the fact that these cooperative organizations are for the purpose of securing better marketing facilities, in order that their stuff may be graded correctly, so that when it has been graded correctly it may bring a price that will correspond to the grade of the product that is offered for sale.

Mr. BRAND. And there is no duplication of work.

The CHAIRMAN. You do not touch a crop of any description, as I understand your organization, until it is in a condition for sale?

Mr. BRAND. That is absolutely true.

If there are no further questions, there is just one feature of this particular cotton-marketing work that we are carrying on to which I want to direct attention, and that relates to the selling of cotton in the seed. As you all know, it is the ordinary practice to sell cotton after it is ginned, but there has grown up in the United States the practice, fostered by various conditions, of selling the cotton un-ginned. People think they are getting just as much out of their cotton in that way. They have not the machinery for determining. So we have thought it was a proper activity to determine what the facts are. I am not sure that you can see this from where you are [exhibiting box containing samples of cotton]. You can certainly see the difference between this type and that type. Those two types were sold on the same day in the Kingfisher (Okla.) market. This [indicating], a strict good middling bale, the better one, brought 9.62 cents a pound, while the poorer one brought 10.10 cents a pound. Still other cases: These were sold on the same day, on November 20; this bale sold for 9.65 cents per pound, whereas this one was sold at

4.44 cents a pound, a difference of \$26 a bale for the same grade, in the same market, on the same day. It was sold in the seed, which was a gamble, and the producer thought he was doing just as well selling that way as the other way, simply because he had not the machinery himself to determine the facts. We have determined this difference in a wide variety of markets by actually sampling loads of cotton, by following the cotton after ginning through to sale, and we now have ready for publication the data bringing out the facts and the loss to the producer in selling cotton in this way.

After careful inquiry we estimate that in Oklahoma this year about a quarter of a million bales were sold in the seed. The average of all our determinations of loss is \$6 a bale. So you can figure the loss to the grower due to this one mistaken method of selling in the seed.

Mr. YOUNG. You do not find that existing as a general practice, do you?

Mr. BRAND. We have had careful inquiry made, and it appears that this year almost a million bales were sold in the seed.

Mr. YOUNG. We have the largest cotton-growing State. In my section of the country it is the exception for the cotton to be sold in the seed. Frequently at the end of a season a farmer may come in who will not have enough seed cotton to make a 500-pound bale of lint. We usually consider one-third of the cotton lint and the other seed. When the farmer has a part of a bale the custom is to sell it to the gin man or to some neighbor, but taking the whole State of Texas, that constitutes only a small fraction of the cotton sold.

Mr. BRAND. Mr. Young is exactly right. In Texas, with a crop of three and a half million to five million bales, they sold, according to our estimates, only 190,000 bales in the seed.

Mr. BRAND. The southeastern crop sold in the seed is low—23,000 bales in South Carolina.

Mr. HEFLIN. How many did Alabama sell in the seed?

Mr. BRAND. In 1915, 42,000 bales.

Mr. CANDLER. And Mississippi?

Mr. BRAND. 28,000.

Mr. RUBEY. And Missouri?

Mr. BRAND. 47,000, and almost the whole crop in Missouri was sold in the seed. That is not a reflection on Missouri. It is true of all new cotton-producing territory. In other words, there is an economic reason for it, but when the facts are brought to their attention they will remove those obstacles.

Mr. YOUNG. Cotton is sold in the seed more generally in communities where gin facilities are poor to the individual farmer. We have this peculiar condition in Texas this year: Our season was such that we obtained bad results. You gentlemen probably noticed that a storm swept all over our State. It caught all the cotton in such a condition that the growth then on it was largely destroyed. Several weeks after that, cotton took what we call the "second growth," and in my section of the State it put on a very large crop of bolls, but a great proportion of those bolls were caught by the frost before they had matured sufficiently to open.

Since I left home I discovered the fact that up in my section and adjoining Ellis County the people are gathering those unopened bolls, which are sold to men who are in the market and need them. The only gin plant capable of handling those bolls is at Paris. They

are shipping those unopened bolls over to Paris, and, of course, they go through a process of removing the bolls and ginning the cotton. That probably would be listed as cotton sold in the seed, although that is a condition that never existed in my State before, according to my memory.

Mr. BRAND. I did not know that you had Ellis County in your district.

Mr. YOUNG. Not in my district, but an adjacent district.

Mr. BRAND. There are 26 farmer-owned gins there, and it gives us one of the best opportunities along this line of promoting better methods in marketing and preparation.

The CHAIRMAN. Your figures show 1,000,000 bales of cotton, approximately, last year sold in the seed?

Mr. BRAND. Yes, sir.

The CHAIRMAN. At an average loss of \$6 a bale?

Mr. BRAND. Yes, sir.

The CHAIRMAN. Which means \$6,000,000 loss to the producer for lack of investigation. This investigation you have made will be followed by a publication of these facts, so the people may be informed?

Mr. BRAND. To reduce that kind of waste, which we believe is based largely on lack of knowledge of the losses that occur.

Mr. ANDERSON. I would just like to ask a question for my own information. Why is it not easier to determine the value of the grade of cotton that is sold in the seed than where it is sold with the seed out?

Mr. BRAND. The cotton trade has developed no expertness along the line of grading cotton in the seed. It is very difficult to do. Some men say they can do it, but usually when the bale is ginned out we find they have only given us the grade approximately, and it means a loss of anywhere from 10 to 25 or 50 points per pound.

Mr. RUBEY. I understood you to say that 42,000 bales in the seed were sold in Missouri?

Mr. BRAND. 47,000 in Missouri were sold in the seed.

Mr. RUBEY. That would be an average loss of \$6 per bale?

Mr. BRAND. Yes.

Mr. RUBEY. I just wanted to bring that to the attention of my congressional colleague who has the cotton in his district.

Mr. BRAND. That is all I have to say about this particular project.

Mr. HEFLIN. If the boys of the South were taught in the schools how to grade cotton it would be of great value to the cotton grower?

Mr. BRAND. It certainly would, and that is the only place where we can begin to do any teaching that is really going to take root.

Mr. HEFLIN. What can you do toward teaching the men how to grade cotton by sending out bulletins?

Mr. BRAND. We do issue bulletins on that subject. We have gotten out one on the new cotton standards within the past two weeks, and we have previously published bulletins on the grading of cotton which have had a very useful effect.

Mr. HEFLIN. Is this the situation: That the farmer can take the bulletin and study it so that when he sees a sample of his cotton, by applying that knowledge that you give him, he can judge pretty well whether it is middling or ordinary or good ordinary or strict middling?

Mr. BRAND. He can not from those bulletins alone. To attain that end we must use the type itself, and we hope to reach more people with them through the county agents. They must have the bulletin information in order to reason about the matter properly, but they must also have the types.

Mr. HEFLIN. Have your county agents in every instance types of the grades?

Mr. BRAND. They have not, and thus far we have not had the time, money, or men so that we could attempt to place practical forms of the standards in their hands. We are working in that direction.

Mr. HEFLIN. If the county agent had these types or standards, he could do a great deal toward educating the farmers how to know certain grades?

Mr. BRAND. He certainly could.

I may say that, in order that we may do something in that direction, we are asking, when that item comes up, for a slight modification in the name of it, so that within our authority we can cooperate with the county agents.

Mr. WILSON. Is it generally known what it costs to gin a bale of cotton?

Mr. BRAND. Yes.

Mr. WILSON. It is not known what percentage of increase seed gives to a bale?

Mr. BRAND. Yes.

Mr. WILSON. I would not think it would take much demonstration to convince a farmer of the profit or loss of selling cotton unginned.

Mr. BRAND. It depends on the grade produced, and you can not tell what the grade is before ginning.

Mr. WILSON. Is there any cotton baled and sold that is unginned?

Mr. BRAND. In the sea-island cotton districts?

Mr. WILSON. In the United States.

Mr. BRAND. Sea-island cotton, a very long-staple cotton, from the Carolina islands, the Georgia and Florida mainland, and to a slight extent from the Carolina mainland, is very generally sold in the seed. In that case the price of the cotton is so high, relatively, that the degree of loss is lessened; but we are carrying on work there this year, and we believe that it will be found advisable in the matter of more equitable distribution of the receipts that that cotton should be sold ginned also.

Mr. YOUNG. Is not that brought about by the fact that they use a different kind of gin machinery to clip the lint from this long-staple cotton?

Mr. BRAND. It is involved in that proposition. It is a very particular style of cotton and has to be handled very carefully and expertly.

Mr. ANDERSON. To what extent, if any, do the county agents now carry types which you have established with a view to imparting to the people knowledge as to the grades of cotton?

Mr. BRAND. Only to a slight extent, but fully so far as the giving of such information lies in their power; and I understand from Mr. Knapp they are trying more and more to select men who can handle this type of information as well as producers' information.

Mr. HEFLIN. This work has really just begun?

Mr. BRAND. It is just beginning.

Mr. HOWELL. Not alone on cotton but on such products as wool, which is closely allied to cotton. The marketing conditions are somewhat similar. I want to ask Dr. Brand if he has made any investigation of the marketing conditions of wool in the West.

Mr. BRAND. Only to a slight extent, Mr. Howell, but we are hoping during the current year to make a beginning. We are cooperating with the Bureau of Animal Industry in that work, and they look to us to handle the standardization and marketing phases of it in co-operation with them. Right in that connection I want to say, with reference to some of Mr. McLaughlin's questions, that we do not overlap. All of our projects are submitted to a project committee, and if there is any overlapping in plan it is promptly halted at that point. We work together with the people who are doing the production work and do not overlap. If there is any overlapping it is very slight, owing to making proper contacts.

Mr. HOWELL. The marketing of wool is a very large element of the cost. The flock master shears his wool, sells it in the fleece, and accepts offers from various bidders. It seems to me to be a very unscientific method and that there ought to be a field there for the development of better methods of marketing wool, and I would like to call your attention to that fact.

Mr. BRAND. There is an excellent field, and when Mr. Hall presents the work of his division on marketing live stock, meats, and animal by-products, he will touch upon that question.

The CHAIRMAN. Shall we take Mr. Hall next?

Mr. BRAND. If it suits your convenience, I would rather have the cooperative purchasing and marketing discussed next. That is the next item in the program of work. We are asking a lump-sum increase of \$18,690 for work relating to the improvement of marketing conditions through cooperative purchasing and marketing, and I will ask Mr. Bassett, who is primarily in charge of that project, to present the work under it.

STATEMENT OF MR. CHARLES E. BASSETT, SPECIALIST IN COOPERATIVE PURCHASING AND MARKETING, OFFICE OF MARKETS AND RURAL ORGANIZATION.

Mr. BASSETT. Mr. Chairman, the project known as cooperative purchasing and marketing has for its purpose the collecting and disseminating of information relative to the way in which producers can improve their condition by cooperating in the buying of their supplies and in marketing their products, as well as the way in which the consumers may cooperate in buying.

This work was started two years ago largely as a State investigation, although in charge of men who had had experience in cooperative organizations as managers. There are in the United States over 11,000 farm organizations attempting to do some of this work, and of this number about 2,000 are strictly cooperative.

Mr. ANDERSON. Right there, I would like to know what you call a "strictly cooperative organization"?

Mr. BASSETT. One conducted by the farmers for their own benefit and with profits divided on the basis of patronage rather than on the capital invested.

These farmers' organizations during the year 1914 did a business of approximately \$1,400,000,000. This work is perhaps shown a little more clearly by a few charts which I will ask you to glance at.

This [exhibiting chart] represents the number of elevators. It is a map of the United States, and these dots represent the number of elevators in the United States. We have in the office a report of some 1,637 of these elevators. They do an annual business of \$234,529,716 and have a membership of 166,974.

Mr. STEELE. Iowa is pretty well represented.

The CHAIRMAN. It seems to be; yes.

Mr. BASSETT. This one [exhibiting chart] represents creameries and cheese factories and shows 1,708 that have reported to our office. They did a business of over \$83,000,000 and have a membership of 141,786. You see their distribution [indicating].

Mr. McLAUGHLIN. You are putting Minnesota in the black belt?

Mr. BASSETT. Minnesota is one of the leading States.

Mr. STEELE. Iowa is also pretty well represented?

Mr. McLAUGHLIN. What class of people constitute the membership of those organizations?

Mr. BASSETT. Farmers.

Mr. HEFLIN. In both instances, including elevators?

Mr. BASSETT. I am speaking of cooperative elevators and cooperative creameries.

In this [exhibiting another chart] we have fruit and produce associations represented, and this includes a report from 871 of these associations, doing a business of over \$140,000,000, and including a membership of over 108,000.

I have not attempted to show on maps the distribution of other organizations, such as cotton, tobacco, live stock, and so on, because it is impossible to show them all.

But on this next chart [exhibiting] I have indicated practically all of the cooperative organizations of the United States, representing a total of 5,424 that have reported. We only report on those we know about. They did a business simply of marketing of something over \$700,000,000 and represent a membership of about 700,000 farmers and producers.

Mr. YOUNG. Of various kinds?

Mr. BASSETT. Yes, sir. You see, this is a combination of those [indicating] and simply shows the distribution.

The work on this project is that of giving information to the organizations already in existence as to the way in which they can improve their machinery for doing business. Many of these associations are founded upon rather lax business methods and therefore have not accomplished all that they might do, and it is the intention of this project to show those organizations that are stumbling the way in which they can improve their conditions, by introducing better business methods and by taking advantage of new legislation for such organizations that are partly cooperative and not organized on a capitalistic basis. The idea is to develop those already in existence primarily and make them effective, so that they will become a demonstration to other sections that want to attempt this work. We would have a lot of successful organizations in existence instead of building up on the basis of a lot of failures. That is the outline of our project.

We attempt to give all that information. Of course, a great deal of it is given in answering letters of inquiry based upon particular details. Those are received every day—a score at least on an average.

Mr. McLAUGHLIN. Have these maps been reproduced and prepared to be put into publication?

Mr. BASSETT. Yes, sir; they will be issued in connection with publications on market business practice.

Mr. McLAUGHLIN. What will that publication be called, so that if anyone wants it he can get it?

Mr. BRAND. The title has not been fixed, although the manuscript is well along in preparation. We always do send every member of the committee a copy of our publications, so that you will receive a copy under any consideration.

Mr. BASSETT. While a good deal of this work can be done by correspondence, the most important work has to be done by personal contact. In other words, the men in charge of this work must be directly connected with these organizations in order to be acquainted with the local conditions and in order to give proper facts. You can not give advice at long distance. You have got to get acquainted with local conditions. You have got to see exactly how they are doing the work. In that way you are in a position to give them advice.

As to what has been done and the way in which we work, I have explained the work we do by correspondence. We have some bulletins which are fundamental; that is, they are based upon certain fundamental principles that we think are essential. Those people who are inquiring how they can combine and form new organizations, how they can get together and improve their conditions, ask for this information, and, where possible, we go and visit them; that is, we go and help them. We have done that in a number of instances.

For instance, we will take Michigan. In Michigan the navy bean growers produce practically all the navy beans in the United States. They were up against a condition that was serious. They were not informed as to the crop or as to the market. The result was that they naturally moved their crop at once as soon as harvested, and the speculators took hold of it. There was a big wave in the price every year. That wave was down as long as the growers owned the beans, and it would go up as soon as the beans went out of their possession. This last year, through the activity of this office, in cooperation with the Michigan Agricultural College at Lansing, the farmers were sufficiently organized to get the information which was necessary for the marketing of their beans, and as a result, although the crop was very light this year on account of disease and weather conditions, it is not far out of the way to say that they saved to themselves not less than a quarter of a million dollars on their crop because of the manner of marketing it. The crop ordinarily runs \$2,000,000. This year it was much lighter, but on account of their knowledge of conditions they were able to ask a reasonable price. This price was not unreasonable, nor did the asking of this price revert to the disadvantage of the consumer, because the consumer is simply paying a fair price. Organization, in other words, does not mean price fixing or combination for the raising of prices. It contemplates the moving of the crop from the producer to the consumer over the best traveled road with the least friction and the least waste. That is

the object of an organization. All cooperative organizations are founded on that plan—to eliminate waste. That is the whole problem.

Mr. McLAUGHLIN. In speaking of the extra profit the bean growers have received this year you are not speaking at all of the profit growing out of the smaller quantity of beans?

Mr. BASSETT. I take that into consideration; yes, sir. I do not mean, you understand, that we consider the short crop a result of these efforts that we have made. But the very fact that the farmers did not know in years past what the crop was, made them the prey of speculators who did know what the crop was. Knowledge is the key to the whole situation. Knowledge is the most valuable thing that a cooperative organization gives to the farmers.

Mr. HEFLIN. It is a case of knowing the supply and demand?

Mr. BASSETT. That is it.

Mr. McLAUGHLIN. Then I would gather from what you say that you did not take into consideration the larger price that generally prevails?

Mr. BASSETT. Oh, yes, sir; certainly we did.

Mr. McLAUGHLIN. I mean, in reaching the figures that you gave us.

Mr. BASSETT. I say, as a result of that organization the farmers were able to move their crop, and it is estimated both by the gentlemen in charge of the work in Michigan and the people themselves that there was easily a saving of \$250,000 on that crop this year. In other words, they would not have received that much had it not been for the fact that they had an organization.

The CHAIRMAN. And you took into consideration all facts?

Mr. BASSETT. Surely; yes, sir. Coming right to the gentleman's own section, the celery growers of Muskegon, who have been distributing their crop by a system which is no system—it is nothing but the system of dumping; shipping the crop to a large central point and then having it redistributed by numerous agencies—are calling for organization. If they can get together and find out where that crop is wanted, and ship it there instead of moving it to Chicago or Milwaukee or any other central point, they can naturally eliminate some of the unnecessary waste which now exists.

Mr. McLAUGHLIN. Muskegon is my home city, and a great deal of celery is grown there. You say these gentlemen appreciate their difficulty and are asking for help?

Mr. BASSETT. Yes, sir.

Mr. McLAUGHLIN. When was that, and what response have you made to that application?

Mr. BASSETT. I made a personal visit there and planned to do future work there. That was within about two months, I think.

Mr. McLAUGHLIN. Two months ago?

Mr. BASSETT. Yes, sir. It was in connection with another trip which had to be made, Mr. McLaughlin, and on that account was not a special trip. The growers of Muskegon are trying to work out the problem of marketing their celery.

Mr. HOWELL. Do you collect the figures on the production of beans?

Mr. BASSETT. We have to take the figures that are given us by the authorities.

Mr. HOWELL. The Bureau of Crop Estimates?

Mr. BASSETT. Yes, sir.

Mr. HOWELL. And they are available to farmers and others?

Mr. BASSETT. Oh, yes, sir. To go a little further, take, for instance, the work we are doing in the Northwest with the boxed apple industry. Right at the present moment in the States of Washington, Oregon, Montana, and Idaho there are 520,000 acres of apples coming into bearing. They are at a long distance from the market, with expensive transportation and expensive methods of preparing for market. Those people were in a "disorganized organized" condition. They had numerous organizations which were not competitive in any sense, unless you can use the word "competition" to describe cutthroat competition. They realize that the very existence of their industry depends upon a more orderly control and a more efficient distribution of the crops in the Northwest. The representatives of the Office of Markets and Rural Organization are working on that problem and have proceeded far enough so that the people of that section seem to feel that there is the basis for a good deal of hope.

The CHAIRMAN. Let us see if we understand your remarks. You find out what the supply of beans is—you are dealing with perishables, largely?

Mr. BASSETT. Largely; yes, sir.

The CHAIRMAN. You find out what that is, and then you try to determine where the point of best demand is?

Mr. BASSETT. That is exactly right.

The CHAIRMAN. How do you do that? What is your method?

Mr. BASSETT. We take into consideration all the producing sections for that commodity; the time at which that commodity is moved; we find the competing sections; we find the consuming sections; and then move the crop from the producing point to the nearest non-competing point; that is, so as to get an equal distribution.

The CHAIRMAN. The older members of the committee will recall that six or eight years ago the testimony of the representatives of some peach association in Virginia before this committee was to the effect that, while the city of Washington was in a state of comparative poverty with respect to peaches, was paying a tremendous price for peaches, and could get very few at any price, at the same time, on account of a congestion of freight, they were dumping six or eight carloads of peaches into the Potomac River down here at Alexandria.

Mr. McLAUGHLIN. Yes. And I have seen photographs of orchards in Michigan with the fruit hanging on the trees frozen, the price available to the farmer not being large enough to justify the picking of the apples; and we know there are innumerable places, or were at that time, where the people were hungry for the fruit and paying exorbitant prices for it.

The CHAIRMAN. Yes. You are attacking that problem?

Mr. BASSETT. That is it exactly. The lack of information as to where those peaches are wanted is largely the basis of the plight that exists. Mr. McLaughlin has described a condition that I am acquainted with. I am a fruit grower from a region near his.

The individual fails to have that information; he can not afford to get it; it costs too much money. So the basis of our whole marketing scheme, we feel, is the cooperation of farmers to secure that

information which organizations can secure in detail where an individual could not afford to do it, and then move that crop in an orderly manner to supply the demand as the market makes it.

Mr. McLAUGHLIN. Mr. Bassett, yesterday I spoke to Mr. Brand of a resolution passed by a local grange in my district, at Traverse City, suggesting the advisability of Federal legislation for inspection of fruit at the shipping point, and setting out some of the difficulties they had had. You are familiar with that?

Mr. BASSETT. Yes, sir.

Mr. McLAUGHLIN. About the condition of the fruit when it is shipped, the prices paid, and the conditions reported at the receiving point, etc.? If you have charge of that line of work or are able to give me something by which I can properly answer the inquiry of that grange, I wish you would do it.

Mr. BRAND. Mr. McLaughlin, if I may interrupt, that work is handled in connection with another project and will be dealt with in connection with that project, and we will be glad to respond. Preliminarily, I will say that we believe that is a field to which we should go with our investigational work during the coming year. We are not advanced to a point where we can say an appropriation should be made for an inspection service, but it does begin to appear as though there were no effective way of treating producers in far-away sections rightly without some disinterested inspection service. But that is a matter for future work rather than of present work, and we believe that gradually from year to year we will be coming before this committee and making suggestions.

Mr. McLAUGHLIN. You spoke of something you had been doing, though, in that particular line in connection with telegraphic work in finding places of production and markets for fruit.

Mr. BASSETT. Yes, sir.

Mr. BRAND. Will you explain that briefly?

Mr. BASSETT. Just to show you the constructive policy of this project, take, for example, the situation right in the vicinity of the chairman's home, near Ridgespring, near Trenton, S. C. That is the center of one of the largest green asparagus producing sections that there is in the Southeast. The growers there were in a condition where they were so discouraged from lack of any system of marketing that they were actually pulling up their asparagus beds. And that means a big thing, because some of them there have as high as 100 acres of asparagus. By giving them that aid and showing them exactly how they might organize to grow their asparagus, to pack it properly, and then distribute it to the points that would not be reached by the competing producing sections, they are able to hold their industry and to make it profitable.

Now, in that statement I am anticipating somewhat, because the work has only recently been done, but from the form of organization which has been perfected there, including, as it does, over 85 per cent of the acreage of the green asparagus district of South Carolina, we think it certainly will give them a distributing system which will save the industry and make it somewhat profitable, replacing the present destructive condition that is really upsetting the whole business.

The CHAIRMAN. Practically all of the asparagus growers have come into that organization.

Mr. BASSETT. Yes, sir. We had meetings at Ridgespring and Trenton. At Trenton we had 80 per cent of the growers in that section.

The CHAIRMAN. You found Senator Tillman a large grower?

Mr. BASSETT. Yes, sir. Senator Tillman was away at that time, but his son was there.

Mr. YOUNG. Along the Rio Grande section of Texas there is an onion belt, is there not?

Mr. BASSETT. Yes, sir. That has been given some assistance but not as much as we had hoped to be able to give it. There has been such an enormous call for help. That will mean something in the future. If we can develop the Northwest apple situation and save that industry and show how the farmers can do that work, it is going to help the Maine potato growers; it is going to help the citrus growers of Florida; it is going to help the farmers of the South. In other words, it is a demonstration. We do not expect to carry this to everyone. We can say to them, "Others have done it; you can do the same."

The CHAIRMAN. Mr. Bassett, I think this is a wonderful work you gentlemen are undertaking. I have felt all the while that there was one thing you ought to guard against (and I am saying this for the benefit of Mr. Brand and your entire force here) and that is that you may run so fast that you will get your legs tangled up and fall down on some proposition. Now, I think it is exceedingly important that you do not overrun yourselves. I presume you have had that experience as a boy. We do not want this organization to grow so fast that it is going to tangle itself up and smash somewhere.

Mr. BASSETT. We have a pretty good governing force right with us.

Mr. McLAUGHLIN. If they are getting real results they can not get them too quickly.

The CHAIRMAN. But you can appreciate how a new organization may grow too rapidly.

Mr. BRAND. We have tried to guard against exactly that, Mr. Chairman, and we have never come before this committee without threshing everything out and feeling absolutely sure that the funds we were asking for would be well spent and would return large dividends to the country.

The CHAIRMAN. I feel that way myself.

Mr. BASSETT. The work we have attempted to do in addition to what I have mentioned includes working with the cotton growers of Chadbourn, N. C. The question might naturally be asked whether specialists in organization work can handle the proposition, but we must realize that cooperative organization is a power plant. We do not deal so much with the details of the crop. The organization furnishes the power to move the machinery, and the same power plant for a cotton factory would do to run a steel plant up in Pittsburgh.

Mr. ANDERSON. The fundamental principles, in other words, are practically the same whether you are dealing with cotton or with wheat?

Mr. BASSETT. That is the point. We do not enter into the details of growing the cotton, but we do know something about human

nature and how to handle it, or we think we do, and we hope to handle those people so they can handle themselves.

The trouble with these organizations is this: They have been run on sentiment rather than on business. Too many of them are organized just because it is a good thing to get together. They do not put enough of good business machinery into it to make the thing go, and when the first little bit of sand gets into the machinery it is gone.

The CHAIRMAN. Mr. Bassett, is the percentage of failure of cooperative organizations at this time as great as it formerly was, say, 10 or 15 or 20 years ago.

Mr. BASSETT. No, sir. The great trouble with cooperative organizations in this country in the past has been along the line of cooperative stores. That scheme had a wonderful boom for a time, and then came a wonderful failure.

Mr. McLAUGHLIN. Do you find any complaints on the part of dealers of the organization of these cooperative buying companies?

Mr. BASSETT. There are some; yes, sir; but we try to handle those in a proper way. If you can find a way for a man to do for himself what he is hiring some one else to do, and do it better and cheaper, it is his business to do it. We feel that any man who opposes that is on the wrong track. In other words, if a man is employing somebody to sell his crop and through organization he finds he can do it better or cheaper, or both, it is his business to employ the agency that will serve him best.

Mr. McLAUGHLIN. You spoke of selling.

Mr. BASSETT. Buying, if you please, cooperative buying—the way in which farmers may cooperatively buy in car lots the supplies which are necessary for their farming. In other words, the purchase and storing up of material in a section for spraying fruit trees, or of fertilizers, or of binder twine, or whatever may be necessary, and arranging for the necessary finances at the bank, rather than buying of a merchant who has to extend credit—we think that is fundamentally correct, and we attempt to show how that is done.

Mr. McLAUGHLIN. Do you know of any gentlemen connected with you who know anything about this so-called monopoly of the sisal industry and the binder-twine industry?

Mr. BASSETT. I do not know particularly. I have heard of it; that is all. I know that this condition has been in existence a good many years, sir.

Mr. ANDERSON. Not this particular monopoly?

Mr. BASSETT. Not this particular one; no, sir.

Mr. ANDERSON. There has been, as I understand it, an importing and selling monopoly in this country, but I think there is not a monopoly in the sense in which it now exists.

The CHAIRMAN. You have no evidence of that?

Mr. BASSETT. We have no evidence; no, sir.

Mr. BRAND. That is the subject which we understand from the newspapers is under investigation by the Department of Justice. We have not carried on any investigation.

The CHAIRMAN. This matter was referred to when we had the gentlemen from the Bureau of Plant Industry here.

Is there anything further, Mr. Bassett?

Mr. BASSETT. I would be glad to answer any questions.

MR. ANDERSON. You are able to go out among a bunch of farmers and tell them what is the best plan of organization for the particular purpose which they have in mind?

MR. BASSETT. We go further than that, sir. We draw plans for them, and they are submitted to the solicitor of our department to be passed upon as to their legality. We absolutely draw the constitution, by-laws, and plans of procedure and have those submitted to our solicitor, who passes upon the legality of them.

MR. McLAUGHLIN. Do you know anything of the result of that co-operative operation up at Traverse City?

MR. BASSETT. Yes, sir; I know considerable about it. They have had more or less trouble, of course—

MR. McLAUGHLIN. They effected an organization in the spring of 1915?

MR. BASSETT. Yes, sir. Mr. Ellsworth is the manager.

MR. McLAUGHLIN. In a general way, can you tell what they have done?

MR. BASSETT. They have done fairly well. They expect to extend their operations to quite a large extent, and our office has rendered them assistance in another project, but not in the organization.

THE CHAIRMAN. We are very much obliged to you, Mr. Bassett.

Now, Dr. Brand, the next subject is market surveys, methods, and costs. It is page 413 of the program book.

STATEMENT OF MR. CHARLES J. BRAND, CHIEF OF OFFICE OF MARKETS AND RURAL ORGANIZATION—Continued.

MR. BRAND. The chief work under the project of market surveys, methods, and costs includes the following:

First. Studies of consuming capacity of large markets.

Second. Sources, movement, distribution, and price fluctuations.

Third. A study of the efficiency of marketing agencies, of which there are many different types.

Fourth. Studies of the relation between prices and supply.

Fifth. A comparison of marketing methods.

Sixth. Survey of market services.

Seventh. Monthly reports of cold-storage holdings, of apples particularly, which we hope to extend to other products as we are able to take care of them properly.

In the work on commercial production and movement during the past year we have given our chief attention, as I told the committee we would, to certain definite crops, in order to work out certain principles. The crops we worked with were strawberries, tomatoes, cantaloupes, peaches, and, to a slight extent, Northwestern pears.

We have mapped the areas of commercial surplus production in these four crops, and have published four bulletins, the first of the kind that have ever been published in the United States, mapping this sort of activity, so that you can refer to the map in the bulletin and know the areas of commercial production of these four crops. We hope to extend this work in the coming year to numerous other crops.

We have secured from the railroads, through their cooperation, the total car-lot movement from practically every one of their stations for these crops—14,553 cars of strawberries, 11,995 cars of

fresh tomatoes, 16,401 cars of cantaloupes, and 27,994 cars of peaches, which we have been able to locate as to their exact source. This is fundamental information. If we are going to improve marketing and distribution, we have to know where the product is coming from and then study the natural outlets for it.

Mr. ANDERSON. To what extent has the work you are doing in finding markets and making available information relative to the crop movements resulted in establishing a uniform price throughout the year?

Mr. BRAND. The work has not gone far enough yet, Mr. Anderson, with reference to general projects so that we can say very much on that specific point. But we can say that the cantaloupe growers found that as the result of the work they were able to distribute direct to consuming markets to a degree they have never been able to accomplish before. The tomato producers in the Jacksonville, Tex., Association found they were able to ship to many new markets which they had never been able to get into before. So that, as a necessary by-product of a better distribution, I have no doubt in my mind that such a stabilization of prices has occurred.

Mr. ANDERSON. Have you made any study of the question of the relative economic value of a stable price as compared with a fluctuating price?

Mr. BRAND. To a slight extent. We have done that more in connection with staple than with perishable products.

Mr. ANDERSON. I have a sort of notion in my own mind that as an economic proposition it is more desirable to have as nearly a uniform price throughout the year as possible than to have prices fluctuating from a high point to a low point, and vice versa.

Mr. BRAND. We are getting information on that. We agree with the point of view you have expressed, and we believe that as a result of this more uniform and better controlled distribution those results will be secured.

Mr. McLAUGHLIN. You spoke of learning the source of a number of thousand cars of different kinds of products. That may be of very little value unless you are able to influence the shipment of them to the best markets. Do you know to what extent you are able to influence the shipment of those particular thousands of cars?

Mr. BRAND. Yes. We have had some very definite influence in that respect, Mr. McLaughlin, through the market news work, which during the past year has been handled as a part of this project. For the ensuing year we are attempting a separation of that work into a definite project of itself. Mr. Sherman will discuss that in considerable detail, so I am quite sure you will get complete information on that point. We have been able through the information we have secured to guide the products to the markets where they were needed in a far larger measure than has been the case hitherto in reference to particular products on which we have worked.

Mr. YOUNG. You spoke of the Jacksonville tomato industry. Have you been called on in the past year by that industry?

Mr. BRAND. Yes; and we have had a new call for the coming year. A gentleman from Texas was in my office yesterday asking for an extension of our work there. Of course, the aim always is to work from the place where we have a groundwork into the new places,

and so we shall carry on work again with reference to tomatoes in that section and extend it to tomatoes in Mississippi and all the commercial tomato-producing sections. We have not yet looked after the Florida crop.

The CHAIRMAN. Mr. Brand, I notice that in this particular project you estimate a decrease of \$10,100. Is that taken care of in the item for collecting and distributing daily information by telegraph, mail, and otherwise?

Mr. BRAND. Yes, Mr. Chairman; it is.

The CHAIRMAN. Now, who will present this particular item in detail, or do you care to have it presented?

Mr. BRAND. We prefer to go through the projects under the marketing and distribution item first, and Mr. Sherman will present that later, if that suits your convenience.

The CHAIRMAN. Very well.

Mr. BRAND. Under this project we are also studying the consuming capacity of markets; and that, in part, is in the very direction that Mr. McLaughlin was speaking of—determining how much great individual terminal markets consume. For instance, in the matter of these very crops that we have specialized on, in order to complete our current work with reference to them, we have found—of strawberries, for instance—that St. Louis consumes 1.85 quarts per capita; Kansas City, 3.15; whereas Boston consumes 10 quarts per capita. You see the possibility of market expansion in markets where the consumption of particular fruits is too low. That is due to a wide variety of causes, but just calling attention to the facts stimulates the distributors to go into the proper markets.

Mr. McLAUGHLIN. That covers a series of years, does it?

Mr. BRAND. This covers a particular year, although we have also secured figures as to others, which are checkable, in a way.

Mr. McLAUGHLIN. What year does this cover?

Mr. BRAND. That is the consumption for 1915. This work is going on constantly. Reports are coming in all the time and the data are worked up just as rapidly as possible. In the matter of the per capita consumption of cantaloupes, we find that St. Louis consumes 4.99; Chicago, 6.35; Kansas City, 7.68. Thus we can tell whether we are suffering in certain cases from overproduction or underdistribution, and we know where to begin to distribute, too.

The question of price fluctuation we are studying and have been studying during the past year through our market reporters. We have kept market reporters in from 20 to 25 of the great markets through the perishable season. These men have carried on various activities. We try to combine all the activities we can for the sake of economy, and, among other things, they have studied this question of the relation between price fluctuation and the possible manipulation of supply, and things of that sort.

We have also been studying the costs, making analyses of the costs in the distribution of specific carloads of things. We have traced 91 carloads from production through to final sale to determine where the costs are accruing, what the costs are, and whether they are reasonable or unreasonable. Naturally the amount traceable in the case of a given car diminishes very rapidly as you approach the consumer. But in one case at least we were able to trace 96 per cent of the car-

load, and we are locating the expenses in the hope that we can eliminate cost and waste and overcharges through the getting of this kind of information.

Mr. ANDERSON. You are practically doing in the market what the manufacturer does in his plant—segregating the elements of cost, so that you can, by knowing exactly what the particular service costs, either reduce that cost or perhaps eliminate it entirely.

Mr. BRAND. Yes. The surveys of available supplies are carried on not only through the railroads but through the cooperative organizations, the shippers, distributors, and large producers. We try to handle all of our propositions as far as we can as a whole. We have divided them up in the project book for convenience of handling, but we try to use all our men in every possible way to reduce the necessity of putting a new man on and to keep everyone informed as to what is going on in every respect. For that reason we do not believe in too fine a division of the work. We try to handle these things together just as much as we possibly can. For instance, we get points from Mr. Bassett that are exceedingly valuable even on cotton. We get points from the market news men that are equally valuable to Mr. Bassett. We try to utilize all those points to produce the result we want. We try to encourage the organization to make it more efficient. We may even impose it as a condition, "We will help you by giving you this market-news information if you will get together and make it an efficient organization, but if you do not get together we do not see how we can help you." We try to utilize all our various lines of activity to produce the result that is desired.

That is practically all that need be said about this particular project. There is much more that could be said. There are other points that will be brought out.

Mr. ANDERSON. You think, then, that too high a degree of specialization in your different offices results in wasteful use of time?

Mr. BRAND. I think so, Mr. Anderson. For instance, this committee, recognizing that principle with reference to the cotton work, combined three activities, and we were able to reduce the estimate instantly because we could use the same men and shift them about wherever they were needed. I might say in passing that this resulted in extraordinary efficiency. It prevented us from, we might almost say, disgracing ourselves when the New York Cotton Exchange dumped last May 35,000 or 40,000 bales of cotton upon us to be classified under the cotton-futures act. We were able to take all the men and throw them into that one job, and we got the accounts back to New York so quickly that they are still surprised.

The CHAIRMAN. I will say that they were dumping it in that way for the purpose of trying to break down the cotton-futures law. I do not ask you to answer that; I make that statement on my own responsibility.

Mr. McLAUGHLIN. How do you learn the quantity of apples held in cold storage?

Mr. BRAND. That, as I explained last year, is solely on voluntary reports. But I am able to say this year that we have now a very large majority, I think, of the cold storages reporting, so that the report is far more valuable. There were 410 storages voluntarily

reporting this last month, so we are getting very much better information. There are not more than 600 in the country that store apples.

Mr. McLAUGHLIN. And do some of those refuse to report?

Mr. BRAND. Yes; the rest of them have refused. We have asked them all. Some time we may suggest to this committee that it might be worth while to give us authority so that we may require such reports. That is proper information that should be in possession of the people as a whole. But we are getting all the results that we can take care of now.

That is all I have to say on this particular project.

Mr. RUBEY. I want to ask you a question, Mr. Brand, and in order to bring it before you I want to submit an illustration in reference to the marketing of apples. I have in my home county a very large apple grower. He ships those apples to some market in a distant State. He consigns them, we will say, to some man who distributes them. Now, his complaint is that the consignee makes a report to him of the sale of those apples, but he has absolutely no way of checking up what he has done with them. He has sold them out to different retailers here and there. That is a situation that ought to be corrected in some way. I have thought of correcting it by having a law passed by Congress compelling these commission men to make a detailed report of the sale of the product consigned to them, giving the name and address of the parties to whom they were sold, together with the price, so that the man who sells his apples and consigns them may have some method of checking up what has become of his product.

I want to ask whether or not you have got far enough along in your investigations to take up that sort of situation and what you have to suggest in reference to it.

Mr. BRAND. That is brought to our attention almost daily, sometimes many times a day, and we have given it a good deal of thought. Our first remedy is uniform accounting methods for distributors engaged in any such handling of perishable products. Once we have a uniform accounting system—which the railroads already have, under the Interstate Commerce Commission—which is thoroughly practicable, and believed to be practicable by the best commission men, we will be able to check those things pretty accurately and very quickly, and it will be easy for those distributors in necessary cases to get that information. We doubt the advisability of requiring it of everyone, because that makes a lot of work, where there is no abuse, but we do believe that it should be reached so that where there is abuse there may be reports.

Mr. RUBEY. You can specify in the law that these reports shall be made when demanded by the shipper.

Mr. BRAND. Yes, sir; that is very easily handled.

Mr. LESHER. I think the State of Pennsylvania has a law to that effect. In case you want that information you have a right to go to their books and get it.

Mr. BRAND. Mr. Moomaw, one of our experts, is present. It is possible he may give some practical statement on that point if the committee cares for it.

STATEMENT OF MR. C. W. MOOMAW, SPECIALIST IN COOPERATIVE PURCHASING AND MARKETING, OFFICE OF MARKETS AND RURAL ORGANIZATION.

Mr. MOOMAW. I might say that the case which Mr. Rubey cites is an illustration of bad marketing methods on the part of the farmer. It may be possible for him to supervise the sale which the commission merchant may make for him.

Mr. RUBEY. He tells me that once in a while he will accompany a shipment of apples to market, and that when he is on the ground he knows he gets a great deal more for his apples than when he simply consigns them; but it is not economical for him to go with his shipment every time.

Mr. MOOMAW. That suggests a difficulty, Mr. Rubey, which we meet with in marketing all these perishable crops where it is so easy for the commission merchant or other agent to report a bad condition when a bad condition does not exist. Our suggestion invariably in such cases is that, if there is sufficient fruit or other product in the community where the grower lives, he should attempt to cooperate with his neighbor in providing for uniform standards for the shipments out of that community and for an experienced man to attend to the marketing. Just how that difficulty you suggest may be overcome otherwise I can not say.

Mr. RUBEY. This gentleman to whom I refer is an experienced fruit grower. He is a member of the Board of Agriculture of Missouri and one of the best-known fruit men in Missouri. When he ships out a carload of apples he knows exactly what he is shipping.

Mr. MOOMAW. But he does not know what kind of a deal he is getting?

Mr. RUBEY. No.

Mr. MOOMAW. He is personally unable to get out and follow all his shipment in the market, whereas if he belonged to a cooperative organization with an efficient, experienced sales force they could probably sell that shipment f. o. b. shipping point rather than consign it. Really, a cooperative organization is about the only suggestion you can make to overcome such difficulties.

Mr. RUBEY. Do you think it would be impossible to pass a law compelling the commission merchant to keep a record of all those sales and furnish it when required?

Mr. MOOMAW. I think such service on the part of the commission merchants is only just to the farmers. The commission merchants claim in conducting these sales in the movement of tremendous quantities of perishable products that a large part of their sales are frequently made for cash and they do not make a record of the name of the party who buys. Just to what extent that could be overcome I can not say, because I have not worked at apple marketing from the commission end.

Mr. ANDERSON. Is it not a fact that cooperative organization is the remedy for pretty nearly all of the difficulties which have been suggested here during the consideration of this subject?

Mr. MOOMAW. In very large measure, Mr. Anderson. A cooperative organization can apply successfully in a community only when

that community grows products in sufficient quantities to justify the marketing of them in a wholesale way and to justify the employment of experienced men to conduct the business.

The CHAIRMAN. Cooperative effort has solved the problems of the people of most of the other countries in which those problems have been solved.

Mr. McLAUGHLIN. What do you say in answer to my question about the difficulty confronting the fruit growers in my district—those who suggested Federal inspection at the point of shipment, etc.?

Mr. MOOMAW. There have been several demonstrations in the States, Mr. McLaughlin, as to what can be done by official or semi-official inspection. I have in mind a large district in the Pacific Northwest, one of the largest apple-growing districts in that section. They passed a law in the State providing for standards; that is, standards of grade and pack before the shipments were made. They realized that probably a great deal of their difficulty in the markets was due to their failure to put this fruit up in proper condition for market. They found that out through organization. So the State passed a law, and in this section they organized a league of the growers to enforce this inspection in the district. The State did not pay for that service; it was paid for by the shippers. The independent agents and the cooperative organizations in the district agreed to set aside a certain sum per box to pay for this inspection. That service has proven to be a guaranty to the trade, and it is claimed they have been able to make very much better sales on the strength of the guaranty and the State certificates which went along with the cars.

Mr. McLAUGHLIN. These organizations which you speak of could only operate at large shipping points, and if inspection were made by any authority it could only be at large shipping points. Is not that true?

Mr. MOOMAW. I do not know just what quantity of fruit is shipped out of Traverse City. Mr. Bassett tells me it is a very large shipping district.

Mr. McLAUGHLIN. But in a State like Michigan there are innumerable stations from which shipments are made. I do not see how it would be possible to reach any considerable number of them by any kind of organization—by any kind of even local inspection, to say nothing of Federal inspection. Do you?

Mr. MOOMAW. It can be done in the commercial districts. There are some fruit-growing districts, Mr. McLaughlin, where no great quantities of apples are grown, and those people will always have difficulty, because, in the first place, to be successful they must be known as commercial producing districts and must ship in sufficient quantities to justify organization. Of course, it would be better for those districts if they could secure outside inspection which somebody else would conduct, but, of course, it would involve tremendous expense on the part of the Government if it undertook to inspect all these apples.

(Thereupon, at 12.40 o'clock p. m., a recess was taken until 3 o'clock.)

AFTER RECESS.

The committee met at 3 o'clock p. m., pursuant to the taking of recess.

STATEMENT OF MR. CARROL T. MORE, IN CHARGE OF MARKET GRADES AND STANDARDS, OFFICE OF MARKETS AND RURAL ORGANIZATION.

THE CHAIRMAN. Mr. Brand, suppose you take up the next project, which is called "Market grades and standards."

MR. BRAND. In that case, Mr. Chairman, we are asking for an increase of \$13,120, and I will ask Mr. More, who is in charge of this matter, to explain the work in connection with the program book.

MR. MORE. The object of this project is to aid in the better marketing and distribution of farm products by encouraging and educating growers and shippers to properly prepare their products for market, and to aid eventually through the national standardization of market grades, standards, and packages; all of this to eliminate the present waste in marketing.

The work under the project includes studies of the present methods of preparing products for market—the efficient and inefficient methods of gathering, grading, and packing, handling, and shipping these products. The study and comparison of State and city laws governing the grading, packing, containers, and the marking of these products is undertaken. A special study is made of all types and sizes of packages used for these products to determine the best ones to be used or those which are the strongest and best fitted for the various products. I believe the eventual aim should be to eliminate a large number of superfluous and unsuitable packages.

A special study of the handling, grading, and shipping of potatoes and sweet potatoes has been made. The sweet potato grading work was taken up in the State of Arkansas, where temporary grades have been adopted by growers and shippers for use this season.

Perhaps a picture of some of those grades would be of interest. This, for instance [indicating] shows the present method of grading all sizes and types mixed, and at this end the grades as they should be graded out.

MR. STEELE. What particular vegetable is that?

MR. MORE. That is the sweet potato—prime, choice, and jumbo grades. The last is sold more for canning purposes, and then next the seed potatoes as they are taken out.

MR. BRAND. I think you ought to emphasize, Mr. More, that these are the grades which we have suggested to the people and which they have adopted.

MR. MORE. Yes. They have been worked out not only after investigations in the sweet potato sections—actually grading out the product to see what is possible and practicable—but they have been submitted to the trade in the cities; and the grades have given, you might say, perfect satisfaction there, meeting the market demands in every way.

THE CHAIRMAN. So much so that the trade has adopted them?

MR. MORE. The trade will adopt anything that is an improvement in grade. It is only up to the producer to start it.

Mr. STEELE. Where do you raise those little sweet potatoes?

Mr. MORE. That shows the culs taken out of the better grades.

Mr. STEELE. I say, where did you raise those?

Mr. MORE. Those were raised in Arkansas. They are the size that are used for seed, however. One man who has graded sweet potatoes in a similar manner, but before these grades were adopted, was successful in getting \$1.25 a bushel crate in St. Louis for them last season, while the ungraded were selling at \$1.25 for a 2-bushel bag in the same market.

Special work has been done on grading, packing, and handling boxed apples, and also on barrel apples. The barrel apple investigations followed the handling operations from picking time through until they are in the car, to ascertain the best and most economical methods of picking, handling, grading, and packing. We must know the best methods, and also wish to develop the best possible and practicable grades.

A study is contemplated of the community packing-house method of packing apples or other products as compared with the individual growers' packing, to show, if possible, where the cost of preparing for market can be lowered or the quality improved. It is believed that by handling through community packing houses better results can be obtained than when the individual grower does the packing, as he does mostly at the present time.

An attempt is made to show the growers through personal contact, correspondence, and bulletins the need of better grading and to encourage better grading and handling. It is desired to make demonstrations in producing sections along this line, and to carry the results of our investigations to determine the best methods right to the grower, or at least to reach him through his marketing organization. It is desirable to study the market receipts in the larger cities to find what sections are practicing efficient or inefficient methods in their preparation of products for market, and see to what extent the losses now reported by the dealers are due to the lack of proper preparation. It is thought that publicity concerning this waste on the markets would help in encouraging better methods on the farms.

The result of these studies has been to develop information on this grading and handling of perishables, some of which is now available. More will be available as time goes on to aid our many growers to better prepare their produce for market.

Bulletins have been prepared on "Marketing Maine potatoes" and "Suggestions for parcel-post marketing," showing standards that should be used by both producer and consumer in dealing under this direct market system. Another bulletin on the "Commercial grading, packing, and shipping of cantaloupes" has been published, and similar bulletins on potatoes and barreled apples are being prepared.

The work in connection with packages includes investigations of the boxes, barrels, crates, hampers, and various other packages used for farm products. It has been carried on in the produce sections and the markets. Some very interesting and valuable results have been secured by working with the package manufacturers' associations, who are also working toward the standardization of these packages, to eliminate the short and unnecessary packages, and to arrive at proper standards for containers for perishables.

Mr. STEELE. Now, Doctor, about potatoes. For instance, take northern central Nebraska. Up there they raise a good many potatoes in that sod—sometimes 300 or 400 bushels to the acre. Men come up there and buy these potatoes, and they have cars switched out on the sidetracks. The farmers begin to haul these in by wagon-loads, and there are many buyers there buying for different countries and different places—for St. Paul, Chicago, or whatever market to which these buyers of carloads want to send these potatoes, where there has been a scarcity of them. If a man came in here with a load of potatoes from his farm, would it be the purpose of your division to send a man up there to tell him just exactly what grade of potatoes he had?

Mr. MORE. I do not know what the custom is there at present—

Mr. STEELE (interposing). I want to know what your line of thought is—what you are going to do with the farmer that comes in with his wagonload to-day. He is going to bring a load to-morrow, and maybe four or five loads. These buyers are buying on the track and paying so much a bushel for certain classes of potatoes. They are all going to be about the same grade, are they not?

Mr. MORE. Our investigations along this line on the potatoes—

Mr. STEELE (interposing). Here is the thought I had. After this man has got his car loaded and goes to market, are you then going to tell him just how to grade his potatoes in order to get the best price for them?

Mr. MORE. No, sir; the grading should take place before they are brought to the car.

Mr. STEELE. How are you going to grade a wagonload of potatoes?

Mr. MORE. The idea is to establish grades, the same for potatoes as for cotton or corn.

Mr. STEELE. This year you have lots of potatoes, because this has been a good year, and the potatoes would grade up to be a large size. Next year you may have a drier season and then you would have another grade.

Mr. MORE. No; there is no reason for a change of grade because the seasons change.

Mr. STEELE. Are you going to grade by the size of the potato? Are you going to run them through a sizing machine?

Mr. MORE. That is probably the most economical way; however, that is done only as a matter of economy. The minimum or maximum size must be taken into consideration and also the amount of defects. If there are any with common scab, or late blight, or any frosted potatoes, they would have to come out of the first grade, while a second grade might, I should say, include a certain percentage of common scab or otherwise defective potatoes and some potatoes showing second growth.

Mr. STEELE. If there is no scab in that neighborhood or in that part of the State, and they are nice, clean potatoes, are you going to spend much time there in grading the potatoes in that locality?

Mr. MORE. Probably one grade might call for a good average run of size—an average size of potato for the variety.

Mr. STEELE. Would you think it was economy for a man to size his potato? I am possibly thinking of a different type of potato grower

from what you have in your mind. Now, the potato growers that I have in mind have potato planters, and then they have potato sprayers. That work is done by horse power. Then they have a potato digger that digs the potatoes and elevates them right up into the wagon, and the wagon starts off to the car to be loaded, 5 or 10 miles away. How would it be possible for them to grade those potatoes?

Mr. MORE. It is being done very successfully in a number of sections. In Florida this year probably 60 per cent of the potatoes out of the Hastings section were graded over a grader into three different sizes. In this instance they were machine-graded as to size, and they were at the same time graded as to quality. But those potatoes were run over either power graders or hand graders.

Mr. STEELE. Have they such tools there to grade these potatoes in sizes as they are elevated from the ground to the wagon?

Mr. MORE. The potatoes there are dug by colored help.

Mr. STEELE. That is all hand work?

Mr. MORE. They are picked up by colored help.

Mr. STEELE. Yes.

Mr. MORE. And then they are hauled to the grading machine and graded. They drop off the grader into the barrels, they are then headed up, and then they go right to the market.

Mr. STEELE. That might do in some sections where you have small tracts, but in the localities I speak of they do it all by machinery.

Mr. MORE. That is, the digging and handling?

Mr. STEELE. Yes.

Mr. MORE. The largest producing sections mostly are the ones that are taking to the mechanical graders—the Minnesota and Wisconsin sections, Maine, the eastern shore of Virginia, and the Florida sections. One association on the eastern shore of Virginia purchased 150 or 160 machines this past year for its growers. Market demands are becoming such that growers or shippers must grade not only for quality but for size.

I was speaking of packages. Here are baskets sent in by a manufacturer recently, asking that we test them as to capacity. He said they were intended for 4-quart baskets, and I think he was honest in believing they were 4-quart baskets, but they tested only from $3\frac{3}{4}$ down to $3\frac{1}{2}$ quarts each. The basket manufacturers themselves are trying to agree on specifications for various packages. We are working with them on that point to eliminate the undersized short packages.

Mr. HOWELL. Would any one selling fruit in those baskets be liable under the pure-food law?

Mr. MORE. He would be liable only under the net-weight amendment to the pure-food law. If he marked them "contents, $3\frac{1}{2}$ quarts," however, he would be in the clear.

The manufacturers of Climax grape baskets have agreed on three standard sizes and also on specifications for this basket and for strawberry baskets. They will probably come to Congress and ask for national legislation making those packages standard for the industry. We have secured data from large shippers and associations showing their grading and packing methods and the packages used in marketing. These data are from firms in various parts of the

United States and are to be used in this same work. Suggestions from this office have been incorporated in several State laws concerning the grading and packing of apples.

Mr. BRAND. There is a certain point I would like Mr. More to bring out which he overlooked in his general statement—the relationship of grades and standards to the market news work.

Mr. MORE. This year in connection with the market news work reporting on peaches it was found difficult to make reports plain to the shippers in the various parts of the country because of the different packages used. It was necessary to prepare a special circular and send it to all those receiving these reports, explaining to them the various sizes and types of packages in use in each section, in order that these reports might be understood.

Mr. ANDERSON. Do you find, in establishing standard packages or baskets, that it is possible to so standardize them that the standard will meet the requirements of the different conditions all over the country?

Mr. MORE. It would probably be impossible to meet every requirement, but most of the requirements are met, and the packages are standardized without much difficulty. I think there was some opposition to the standard-barrel act, which becomes effective July 1, but some of the people who were opposed to it at the time, and were using a smaller package, are now glad that they had to come to it and use a full-sized package. In that connection, one manufacturer of this Climax grape basket told us this week that he is making eight or nine different sizes, while if this package is standardized he will make three sizes only. He thinks that the people interested will come to these without much difficulty. The differences now are only a matter of local preference.

Mr. ANDERSON. Do you think that the adoption of these various standards ought to be a matter of legislation, or do you think that you will be able to show the trade that it is so desirable and profitable to establish a standard basket or package that legislation will not be necessary?

Mr. MORE. It must come under legislation. There are too many people anxious to get some advantage through using a smaller package. A man told me not long ago that, after the New York State law establishing a standard grape basket was passed, a large grower and shipper came to him and offered him a premium for a basket if he would make the bottom of that basket a little thicker, so that it would require less fruit to fill it. Other manufacturers are inclined to get business through manufacturing a little smaller package and then going to the grower and showing him that he can ship the same quantity of beans, say, in this package, and fill 15 packages where he could fill 13 of the usual size. There are so many people involved who have selfish interests that, unless you make a hard and fast rule of law, you can not control them. In connection with the market news work, it is found very difficult and expensive to report these products in packages of so many sizes, whereas, if they were packed in standard packages and a smaller number of types and sizes used, it would make this reporting less expensive.

I have here a picture of a car of apples loading in the West, apples in six different packages going into the one car. It seems unnecessary that they should use more than one package in that section. Six

different types of packages in the one car makes the loading difficult and also causes confusion in marketing.

The CHAIRMAN. Please take up your next line of work, Mr. Brand, city marketing and distribution. I note you want an increase of \$3,771 in that work.

Mr. BRAND. I would like to ask Mr. Branch, who is in charge of that work, to present it to the committee.

There is a point in connection with standard containers that I would like to emphasize. In the past there have been standards; people have agreed voluntarily upon standards; but just as soon as there was an agreement and a particular standard began to be used, without any legislative compulsion, the business advantage of selling five pounds of grapes instead of six for the same price became so apparent that some one immediately broke away from the standard. This, I think, may emphasize the answer to the question that Mr. Anderson asked. You have got to have a definite law on the subject, or the twentieth man, as Prof. Ely calls him, will take advantage of the situation. His dishonesty will force all of the others to begin immediately to compete by short weight, short measuring, and that sort of thing.

I will ask Mr. Branch to present the next project.

STATEMENT OF MR. G. V. BRANCH, IN CHARGE OF CITY MARKETING AND DISTRIBUTION, OFFICE OF MARKETS AND RURAL ORGANIZATION.

Mr. BRAND. The object of the project, "City marketing and distribution," is to consider the problems of marketing and distributing farm products that are peculiar to our cities, mainly larger cities; to encourage the use of the best methods, and to help our cities obtain efficient and economic systems—possibly municipally owned systems—to aid in efficient distribution.

Mr. ANDERSON. What do you mean by municipally owned systems to aid in the distribution; municipal systems of distribution, or what?

Mr. BRAND. So far we have confined our work to encouraging the municipality to afford ideal facilities at a very low cost, these facilities to be used by the trade in their work—simply to help them to efficiency, in other words.

Mr. ANDERSON. What kind of facilities do you mean?

Mr. BRAND. Specifically, wholesale terminal markets, to bring the wholesale produce business of a city in better shape than it is in our average city now; municipal retail markets, either open farmers' markets, or inclosed, or a combination of the two, and the wholesale farmers' markets. We simply advocate at the present time that the city aid in furnishing good facilities at low rentals, not aiming to make a revenue from those facilities, but simply giving the producers or dealers good equipment with which they can carry on their marketing work more efficiently—equipment which as individuals they would be unable to afford.

Mr. ANDERSON. Then you are not aiming at giving a municipality a monopoly of the market operation?

Mr. BRAND. No. The question is often brought up, and some people would like to see, of course, the municipality enter into the

actual marketing work, competing with established trade in the sale or distribution of products, but our work so far has not contemplated any such move.

Mr. STEELE. Take, for instance, Sioux City, a town of 61,000. We had a very able and wealthy man there who was on the commission, and who undertook to establish a farmers' market in that city. Three years ago there was considerable interest manifested in it. The truckmen came in after a certain time in the morning and stayed until a certain time, and then the people who desired to buy these vegetables would gather and buy them. That was conducted for a little while—30 days or 40 days—and, of course, then it dropped out, and he found and we all found that, counting the transportation of the wife from her home and the time to go down to the markets and buy vegetables and return again, there was no economy in doing that. Consequently, this last year there has been absolutely no market there; instead, the producers will come in and contract their products to the general stores that handle their produce and sell out their entire output. Now, if you have got a man that can successfully operate that market in Sioux City, organize the farmers, and get the consumers to buy, you can get more money than you are getting here. We would like to have that done, but through our arrangement and the energy which we have put into this, we have never been able to accomplish it.

Mr. LESHER. In our section it is just the opposite. Nobody ever objects to going to the market in my town. It is just exactly what they do. In some of the towns they have the market house. The market house can not accommodate all of the produce dealers who want to go into it, but they do not need to go into the market house unless they want to. They come and sell direct to the consumer, and the consumer carries the produce away. It is a cash proposition all the way through, and you do not need to encourage them to do that.

Mr. STEELE. We have spent a lot of time and energy to build up that kind of a market and have not succeeded.

Mr. LESHER. In my section of Pennsylvania, that is the way we do it.

Mr. RUBEY. I was up at Gettysburg at the reunion in 1913, and one morning about half past 5, when I came out of my cot in my tent and went uptown on the square for the purpose of getting something to eat, I walked all around there trying to find a restaurant and could not find any. While I was standing there wondering where I was going to get something to eat, a gentleman came up and began to ring a bell, and I thought there was a chance, so I followed that fellow about half a block. He went into a building and I went in after him and said, "Is breakfast ready?" He looked at me in astonishment and said, "No; what do you think this is?" I said, "I supposed it was a restaurant," and he said, "I am not running a hotel; there is no breakfast here. I was opening the market." I walked out at once and saw all the wagons coming and backing up to the curb, and the women and girls coming from all parts of town at 6 o'clock in the morning to purchase their produce.

Mr. LESHER. In my section they make them remain there until 9 o'clock. They can not peddle on the streets. They dare not leave until 9 o'clock.

The CHAIRMAN. Which leads me to remark that we have a very big country, with very, very different ways of doing different things, and therefore the necessity for some clearing house or centralization and standardization of uniformity in methods.

Mr. BRANCH. The incidents which these gentlemen have brought out serve admirably to show why a great many cities have asked us for advice along this line. The tendency of the consumers is to want a retail market, while the growers more often want a wholesale market, since many times they can not afford to spend the time that is necessary to sell at retail. One has to consider the peculiarities of every city, and in this particular work that we are doing and have been doing, when we are called upon by a city to help them out, our business is to go there and make a survey of their local conditions, come into contact and get in touch with all of the different factors that enter into the proposition, and try to draw sensible conclusions from these factors as to what is the best type of market for them to have.

Possibly consumers in certain cities ought not to have any market at all if the spirit of the tributary producers is not right and they do not want to support it. In that case it would be foolish for a city to spend a lot of money in building a market. I might point out that in Madison, Wis., they built a \$55,000 market. It was off to one side of the city. They forgot, or possibly did not know, that location is one of the prime factors that governs the success of a market, so they put it to one side of the town. They have their \$55,000 market there but seldom have had anyone in it. At least the patrons have been few, and the caretaker is about the only one that is seen around.

That shows that the city, by ignoring this factor of location—and I repeat that that is one of the most important factors entering into such a venture—has wasted its money. Municipal markets in quite a number of other cities have proven disappointing because of the failure to take the factor of location into consideration.

This is a part of the work we do, which we call "city service work." When a city is ready to do some constructive marketing work we help them do it in an efficient way.

Mr. ANDERSON. Does your marketing proposition extend to the marketing of milk?

Mr. BRANCH. No, sir; it does not. The office has another project, "the marketing of dairy products," which takes that up.

We have conducted our work so far in about 20 cities in about 12 different States. The large farmers' markets at St. Louis, Mo., and Providence, R. I., in the establishment of which we have lent aid, are both working satisfactorily. In these cities the producers themselves own their markets, having established them because they could not get the cities to give them adequate facilities—facilities which we believe cities really would do well to afford. Consequently the growers banded together and started a cooperative market of their own. They formed a stock company, purchased land in the city, put up sheds, and now run it as a farmers' market, controlled by the farmers themselves.

In Huntington, W. Va., as a result of some of the work we have done there, they have recently put in a \$30,000 market on the lines we have recommended. Since it has just been opened during this

past month, we are unable to say what degree of success it will attain, but so far the venture has proven entirely satisfactory.

In several southern Michigan cities where we did considerable work last fall we expect several farmers' markets, either wholesale or retail, will be started this coming spring.

There always are people opposed to municipally owned markets, and many of them when such a movement is started in the city point out that a certain market has been a failure. Sometimes they have discouraged movements in a city to get better marketing facilities by their opposition along these lines. We have attempted, before recommending municipal markets, to find out whether they really are worth while and what service they are giving. So we have started a survey of all the municipal marketing activities in the country, taking in every city of 10,000 inhabitants and over. We sent out some very extensive questionnaires, and out of about 590 cities that we surveyed in this way we were rather surprised to find that about 200 of them have municipal markets of some sort—possibly only an open farmers' market, but some market that is carried on under municipal control and regulation.

This survey brought in a mass of information about markets, the success which has attended them, the attitude of the people toward the markets, how the growers like them, details of construction, management, etc., and this information has proved to us that the majority of cities that have markets which have been given a fair share of good business management are finding that their markets are valuable, both to the near-by growers and to the consumers or dealers who patronize them.

Mr. HOWELL. What criticism have you to offer of the system which has been revealed by the experience of trade; that is, the system employed by the men devoting their lives to such calling, engaging in the distribution of these products in the cities of their own free will and accord, some in the wholesale business, some in the retail business, and some buying from farmers? What evil have you discovered existing in those practices which have naturally developed by the experience of trade that you can improve by your system?

Mr. BRANCH. Lack of cooperation, I believe, is the greatest evil that grows out of the individual work among dealers.

Mr. HOWELL. Do you not think that there is a greater economical waste for a dozen people to come in with a little handful of produce and spend an afternoon or evening disposing of it at these distant city markets than to send all of it to some person who has trained himself and have him go ahead and make that distribution, if he is on the square? Does it not involve really an economical waste of time and energy to have so many people doing what one or two people could do? I have seen this emphasized in Washington—40 or 50 people hawking produce around to different people when one could do it at a saving of time and labor.

Mr. BRANCH. I think the present results of the business which you are speaking of—

Mr. HOWELL. I am speaking of these farmers' markets right here in Washington.

Mr. BRANCH. Then you are advocating, or rather questioning, whether it would not be better for all of those farmers to ship in to,

say, a commission man or a wholesaler and let him sell or dispose of the produce?

Mr. HOWELL. I am asking what evils have been revealed by the experience of trade. Do the people get what they want?

Mr. BRANCH. No, indeed, they do not; neither the man who is producing the stuff nor the people who are buying it.

Mr. HOWELL. If they can not supply the wants of their customers they have mistaken their calling, if they are the experts that they ought to be, by devoting their life to that sort of business. They ought to understand what their customers want if they are anxious to make good.

Mr. BRAND. I think Mr. Howell's question is as broad as the whole field of marketing, and it is impossible to answer him in one single sentence. Mr. Branch came from the angle of trade that Mr. Howell refers to, Mr. Branch having been a broker and distributor, distributing as much as 17 carloads a week, and if he would answer honestly he would say that he believes that there is a great deal of honesty in our present system and an opportunity for a great deal of improvement also.

Mr. HOWELL. What I am trying to get at is that the business as it exists to-day is the result of the experience of the most able men in the business. You are bringing in a lot of men who are without that business experience to inaugurate a system of business different from what has been found to be good by the experience of generations, so to speak.

The CHAIRMAN. Not necessarily so. Would you agree to that proposition, Mr. Branch?

Mr. BRANCH. No; I do not think so.

The CHAIRMAN. It is not your business to change any system. It is your business to improve systems, and to take systems which are well adapted to one section, that might be adapted to another section, and carry the system there and demonstrate it, as it were.

Mr. HOWELL. But in the final analysis, isn't it a fact that they all are cooperative? A man who takes up the business of distribution does his part in the economy of the world. A man who produces does his part. Every man has a different function to perform, and the whole scheme of production and distribution is cooperation in the final analysis.

Mr. BRANCH. In its very broadest sense we might call it cooperation, but when we consider the details—

Mr. RUBEY (interposing). Is it not a fact that under the old methods which you have described the distributor often gets more out of the product than the man does who is on the farm, and is not that one of the evils and inequalities that we are trying to remedy?

Mr. HOWELL. The men who are doing retail business make a very poor living; very few of them get extremely wealthy. They carry on their business for a lifetime, and they work for themselves often cheaper than they would work for anyone else.

Mr. RUBEY. You are not speaking particularly of the fellows with whom you are acquainted?

Mr. HOWELL. I am speaking of the whole body of retailers.

Mr. RUBEY. Statistics show, and the former Secretary of Agriculture, Mr. Wilson, in one of his reports some years ago called attention to the fact that out of every dollar's worth of products sold the

farmer got less than one-half and the distributor got more than one-half.

Mr. HOWELL. But that does not prove that it does not cost that much to reach the ultimate consumer. The farmer who raises a product, brings it to market and spends his time disposing of it is just as much entitled to compensation for the time consumed in marketing as for the time that he gives to producing it.

Mr. STEELE. I believe there is an organization here in the Agricultural Department that goes out and tells me how I must conserve my time. We are spending money for that purpose. Now, if I go with my little bunch of tomatoes and celery and what-not and stay half a day at a market, then I am entitled to some compensation for that half day's work. If I could go to my retailer, who has treated me fairly in distributing this stuff, and get as much for it really as I would get for it in the other way, I had better be at home raising a little more cabbage, potatoes, etc., along the line of conservation of labor.

Mr. HOWELL. Does it not seem that this whole scheme is against what we understand to be the benefits resulting from specialization, if you are getting men to engage in different lines of work rather than in concentrating and classifying their efforts in one direction? You are getting a farmer to be a salesman, instead of having him try to get the benefit of concentration and classification of the industry in which he is making a living.

The CHAIRMAN. My own thought is, if the question is directed at me, that the whole scheme and the whole work of Mr. Branch is to develop, as it were, a classification or standardization of markets in this country. I do not know whether I get the correct idea of what he is doing or not, but I take it that what you are trying to do in the market survey is to find a model market for a town of, say, 10,000 inhabitants under Iowa conditions and again to find a model market for a town of 10,000 inhabitants under South Carolina conditions, and when the municipality writes you from Iowa or South Carolina that they want you to establish a municipal market, you are in a position to offer them advice and suggestions based upon scientific investigations. Is that what you are trying to do?

Mr. BRANCH. Yes; that is about it.

Mr. HOWELL. Does not that market encourage or afford a place for farmers or vendors to assemble and dispose of their products?

Mr. BRANCH. Yes, sir.

Mr. HOWELL. So that you have in that market 50, 60, or 100 people spending their time in distributing what they produce, instead of distributing it as I would distribute it—through dealers that make their living in that way.

Mr. BRAND. I think that many a producer who sells on public markets would be unable to market at all if he did not do it in that way. In other words, he is a small producer, and he performs several functions. He not only performs the producing function, but the transporting function to the retail market, and the retailing function, and he makes his profit out of all three of these things. If he did not he would not be able to sell it at all. In other words, the stuff would rot on the ground, in many cases, if his only outlet

was to ship it into a general market. It enables the small producer to sell his product which otherwise would go to waste.

Mr. HOWELL. It would be an economy to him to sell it in the market?

Mr. BRAND. Yes, sir; that is where cooperation comes in.

The CHAIRMAN. In my own county, coming through my little town, they have established a new enterprise, which I think is going to develop very rapidly. They have established a produce route that has a circuit of about 20 miles. This man has an auto truck. He goes out in the morning and collects eggs, butter, and a little fruit and vegetables and gets it back into Columbia for sale maybe late in the afternoon or maybe early the next morning. Then, in addition to that, he brings out a side of bacon or a pound of tobacco or a can of soda or a few matches for the people along the route. Now, I think that is the kind of marketing that is going to revolutionize things in that country. The man is making a good living and at the same time he is taking from the farmers on that route many, many things and bringing them back many, many dollars that would otherwise go to waste.

Mr. STEELE. Does not that naturally develop as you observe an opportunity to go into business? Is it necessary that this Government shall be the custodian of each and every individual in it and tell him when to get up in the morning, when to go to bed at night, and just what to do all the time?

Mr. HOWELL. We have heard a great deal about the great economy of the parcel-post system. Now, as a matter of fact, that is the most expensive way of reaching the consumer that we have, and yet we have heard it said time and time again that it is going to be an immense saving to the country. It costs ten times more to transport produce by the parcel post than in the regular way. We have heard a great deal throughout the country that the parcel post is going to be an immense economy. What we ought to try to do is to systematize and save rather than increase the cost of distribution.

The CHAIRMAN. Suppose we let Mr. Branch tell us what his idea is.

Mr. BRANCH. I believe the gentleman here fails to recognize the difference between local production in small quantities and larger production which can be shipped advantageously to a regular dealer and sold advantageously by him. The parcel post, I may say, has never been recommended, to my knowledge, for large quantities, which it would be cheaper, of course, to ship in larger packages and through the regular channels of trade, but it is for the miscellaneous stuff that probably never would leave the farm were it not for this parcel post.

Mr. HOWELL. May I ask you what has become of all this produce before?

Mr. BRANCH. Lots of it has been wasted. A small part of it has been taken to the little country store and exchanged for staples. Take eggs, for instance. The storekeeper has held eggs there, collecting them for possibly a couple of weeks or more, and finally, when he had collected enough to make up a case or two, he has shipped them to market, where it is found that they are mostly rotten. The storekeeper gets poor returns and probably suffers actual loss.

Mr. HOWELL. I do not think much of a merchant who would hold eggs that long.

Mr. BRANCH. We can not give the small country merchant a very high rating on efficiency. We only know that has been the result in a great many cases.

We have found that we have been handicapped a great deal in our service work for cities by not being able so far to give them good workable plans on which to progress in building their markets—in other words, model plans for markets. That is, of course, the work of an architect, and we are now putting on such a man for this kind of work. Of course, these plans will be drawn roughly, according to the needs of the individual city, and an estimate of costs will be made, so that we can give them a concrete idea just how to go ahead with their improvements. This work does not aim to run in competition with local architects, because, as I say, we only expect to have the plans drawn in a rough way, leaving the details to local workers.

Mr. HAUGEN. Who is to conduct the business in the markets—the Government or the municipality?

Mr. BRANCH. It depends entirely upon what type of market is to be built.

Mr. HAUGEN. The market for whom?

Mr. BRAND. If it is a retail market—I will take that for example—we advocate that the city furnish good facilities, to be rented at a low price to the dealer or the farmer, whoever wants to sell there, so that he can carry on his business at as low an overhead expense as possible. We have not advocated that the municipality or the Government or any other official body should take over the actual selling or distributing of the produce.

Mr. HAUGEN. To what extent do you solicit business or encourage the business of one man as against the other?

Mr. BRAND. To no extent whatever. We do not deal with individuals at all; it is only with cities.

Mr. HAUGEN. It seems to me I saw something about somebody soliciting business in the country, especially by the rural carriers, going over the country and suggesting the parcel post, and how to ship, and I thought that if that was the case it might be well to advise this department, so that Uncle Sam would know about it, for he pays several times more for the carrying of parcel post than the express companies do, and therefore you might as well employ these agents as agents for the railroads.

Mr. BRAND. I am sure that does not refer to our work.

Mr. HAUGEN. In your work what do you do for the farmers to help them dispose of the agricultural products which they raise?

Mr. BRAND. We very rarely do anything specifically for the individual farmer. We must work in a broader way.

Mr. HAUGEN. Do you have anything to do with suggesting as to how to ship goods and things of that kind?

Mr. BRAND. Yes: we do, both with reference to the standard containers to the trade and parcel-post containers. We recommend types, but we do not carry it to the extent of going out and helping the individual dispose of his product.

Mr. HAUGEN. What benefit can this department be?

Mr. BRAND. Mr. Howell has presented a very strong argument in favor of the gentlemen who are very efficient in distribution. Most of them are very honest and capable. The difficulties they have are

not due so much to dishonesty and inefficiency always as they are to a lack of standardization of methods and equipment and accounting and all of that sort of thing. We believe that those men are doing capably that section of the work which they set out to do, but they themselves are of the opinion that there are many improvements that could be suggested in their business. They assist us and co-operate with us in telling us of the improvements which might be made in their particular business, and we thus become the repository, as it were, of their combined experience and are able to give the larger number of people the benefit of that experience. We have the heartiest support, I might say, of the distributing trade that cooperates with us in every way, to the extent of giving us access to their books, assisting us in any experiments that we wish to conduct, and all that sort of thing. I think that answers what Mr. Howell has in his mind about the recognized methods of distribution. The work Mr. Branch is discussing, however, is also recognized, but in a different field, relating to the small products surrounding the city populations, which are not, under present conditions, always reaching the market. It is not dealt with efficiently in many cases, so that we need a clearing house for information, as the chairman suggested, and that is what we are aiming at. The question asked by Mr. Howell is a very broad one, and I think it would be impossible to answer it in a few words.

Mr. HOWELL. There is one thing that you bring to my mind. There is a lady in the Bureau of Chemistry who says she is teaching the farmers how to ship eggs.

Mr. HAUGEN. We have several county agents who do that.

Mr. BRAND. There is absolutely no duplication. In accordance with the reorganization plan, the work in that respect is cooperative work, and all the plans, before they are put into operation, are discussed between the two bureaus. While a great deal of Miss Pennington's work is market work, it is the plan not to in any way duplicate her efficient work where it is going on. We work together and not separately on these propositions.

Mr. HAUGEN. If there is no duplication of work, will you describe just wherein your work differs from hers?

Mr. BRAND. Her work only goes to a certain point and omits a very wide field of marketing and distribution of poultry and eggs. She is dealing with it from the pure-food standpoint, much of it from a bacteriological standpoint; her work comes in contact with the market conditions but ignores many marketing processes which we handle more particularly.

Mr. BRANCH. Possibly I have given the impression that this work seeks to eliminate the established channels of trade. That is not the case at all. We are cooperating in every way with the trade. Take, for instance, the matter of wholesale terminal markets in an average city where the wholesale district is separated from any railroad terminal. Cincinnati is a good example. There are two main wholesale districts in Cincinnati, one on Front Street and one on Sixth Street, neither of them being within several blocks of a railroad terminal of any kind. Consequently a good share of the produce has to be drayed or trucked to the stores from the several railroad yards all over the city.

Now, the idea of a wholesale terminal market is to bring the wholesale trade of a city together at one point; if possible, at a yard served by all the railroads. Where we can couple that yard with water transportation, so much the better. In other words, we desire to bring all wholesale buyers and sellers together at one point with ideal terminal facilities. Then the cars can be spotted at the back door, if the stores are suitably located, or, in a union yard, they can sell from the car door with the least handling possible. In this way all the sellers and all the buyers are brought together, forming the ideal competitive conditions and eliminating much of the trucking and other unnecessary expense which most produce dealers must bear at the present time. I just wanted to bring that out to show that we are cooperating with the established trade.

Mr. STEELE. Would it be possible for you to change the business of Cincinnati from one point to another? Can you control the land—the location—to such an extent that you could change the already established business in Cincinnati?

Mr. BRANCH. Possibly I can answer that question best by telling you exactly what has been done so far in Cincinnati. There is an agitation on in Cincinnati at the present time. Personally, I visited most of the trade in Cincinnati and found that with very few exceptions they are willing to move to such a terminal. Some of the railroads have even approved of the move, although under the present system their individual yards may bring them a certain amount of business, due to the peculiar location of that yard. Still the railroads see the advantage of having one union terminal and eliminating so much of the waste that exists at the present time in the distribution of the products, and, while I can not say that it is a move that will be made in the near future, nevertheless that is being seriously considered in Cincinnati at the present time.

The CHAIRMAN. Would not this be the fact, that if a city was about to put up such a terminal market the experience of Cincinnati which might be given to this new enterprise would be worth something to them?

Mr. BRANCH. It certainly would. We want to help cities that are growing now to work along the right lines, so that they will not allow many of the bad features to develop.

Mr. HAUGEN. Do they contemplate a union depot there, and is it possible to get them all together?

Mr. BRANCH. Under certain conditions; yes. That is especially feasible where a city has a belt line. To locate a market on a belt line, as was recently proposed in Chicago, so that every railroad will have access to the market under the same conditions, is about the best thing, in my opinion, that can be done at this time. That seems to be the most feasible.

Mr. HAUGEN. I take it that many of these people own the property which they occupy and it would be a pretty hard matter to make them get out and leave their own property and go to some other place and pay rent.

Mr. BRANCH. That is one of the things that makes it hard.

Mr. HAUGEN. Do you believe that they would let their property stand idle?

Mr. BRANCH. If you can show them that they can make more money by changing their system of business and by going to this

new terminal, I do not think there would be much reluctance on their part to make the change.

Mr. HAUGEN. Have you been able to show the people on South Water Street, in Chicago, that it would be a good business venture for them to leave South Water Street and go to a terminal on the belt line?

Mr. BRANCH. I can not say that I have; but those who are interested in moving South Water Street are doing work right along that line, and a large percentage of the dealers on South Water Street are thoroughly convinced of the desirability of having a terminal just as I have outlined.

Mr. STEELE. The desirability of it is all right, but can they do it? Is it feasible?

Mr. BRANCH. I want to bring out an argument in favor of the municipality helping in such a situation. There has been a move on in Chicago for two or three years past to bring South Water Street to a point on one of the belt lines and make there a large terminal market. I doubt if there is a single member of the trade who would not be willing to agree that this would be a very desirable condition. The deal was almost swung, but on account of the jealousies and rivalries among the trade they could not get together on that proposition, which was being financed and managed by a private corporation. However, I do not believe there is a bit of doubt but what, if the city had been back of that movement and the trade had known that there was a neutral party governing it and had not been afraid of the control on the part of the belt line that was interested or the financial corporation behind it, the deal would have gone through and simply revolutionized market conditions in Chicago, which are now in a fearful condition.

Mr. HOWELL. Was that inaugurated through your advice, or did the people themselves institute the proceedings?

Mr. BRANCH. That movement was initiated before our project was started, but we were called in later to discuss the plans, and I am very well acquainted with the situation.

The CHAIRMAN. We will have to hurry along, because several others are here waiting to be heard.

Mr. BRANCH. I just want to mention one thing which we developed last summer, and I believe it has great possibilities under certain conditions. It is what we call emergency work in retail distribution. We find that the trouble in the free movement of products lies largely with the retailer, and last summer when we anticipated a big glut of peaches we tried, in cooperation with the peach growers, to find some way to stimulate retail distribution. After several conferences in New York City as to how best we could help, we finally issued about 33,000 circular letters to 40 cities in the 13 Northern and Eastern States in which the largest markets of the country are located, in an endeavor to advise these retailers of conditions; that is, the amount of peaches coming and the desirability, from the standpoint of profit on their part and for the good of the growers and the consumers, of moving those peaches just as fast as they could be moved and under the modern methods which we outlined. This work met with a great deal of commendation both from the retailers and from those among the wholesalers who knew of these efforts.

We also did personal work in New York and Pittsburgh in getting the wholesalers to cooperate with the women's clubs of the cities. The women's organizations helped to spread the news of the big crop of peaches and low prices, in order to stimulate a freer movement, and there was a considerable degree of success attending this work.

Mr. STEELE. Has not that point been discussed by some other part of your organization during our sittings here?

Mr. BRAND. It would be impossible, I think, Mr. Steele, that there should have been any discussion by any other division. Some one might have mentioned it while I was not present, however.

Mr. HOWELL. Do you send an agent to one of these large cities like Pittsburgh and call a meeting of the merchants and lay this proposition before them, or do you meet them in any way—individually, or how?

Mr. BRANCH. Take Pittsburgh as an example. The dealers in Pittsburgh saw that the conditions were going to be acute and requested that we help them in this movement. An investigator was sent from our department and worked with the dealers as a whole—that is, the dealers met with this gentleman who secured the cooperation of the Women's Market Club in Pittsburgh and got the two organizations working together, the women taking care of the advertising and circulating the notice throughout the city of the plentiful supply of peaches.

Mr. HOWELL. To what extent did you increase by that means the normal consumption in that community?

Mr. BRANCH. That would be almost impossible to state.

Mr. HOWELL. I thought you had figures as to how much went to those large cities every year.

Mr. BRAND. We have a great many of those figures, but it would not be possible definitely and statistically to show the conditions. We only know from the trade that it is their belief, due to their sales and activities, that it did stimulate the consumption and help to move the crop, which was estimated to be about 5,000,000 bushels more than in a normal year. I think that it was very helpful, as a matter of fact. It was more a matter of observation than statistics.

Mr. HAUGEN. What part did you take in the egg sales at Chicago? Was your department in that?

Mr. BRAND. No, sir.

Mr. HAUGEN. I was referring to the sale of eggs. Did your department have anything to do with that?

Mr. BRAND. No, sir. We do not sell anything ourselves, and we do not sell anything for anyone. We merely try to find good methods, helpful methods, and then try to bring them to the attention of the people, get them to use them, and get them together on the proposition of using the best methods.

Mr. HAUGEN. What has been done for the people in Washington? I understand you have been paying especial attention to the city of Washington—that is, if newspaper reports are true.

Mr. BRAND. Newspaper reports are likely to be untrue. We have cooperated to a certain extent with the District government.

Mr. HAUGEN. What have you accomplished in Washington?

Mr. BRANCH. I think you are confusing our work with that of Mr. Sherman, who is the local superintendent of weights, measures, and markets in Washington.

Mr. HAUGEN. Has your bureau done anything for the people here?

Mr. BRAND. We have cooperated with Mr. Sherman in his work and have given him considerable assistance, but the work is actually in his hands.

Mr. HAUGEN. What has been done in the city of Washington?

Mr. BRAND. I do not think we could answer that. I think the superintendent of weights, measures, and markets would have to answer that question. We have given him advice and assistance whenever he came to us for help, but just what has been done we are unable to say with reference to Washington any more than any other place.

Mr. HAUGEN. Is he under your department?

Mr. BRAND. No; he is under the District government.

Mr. HAUGEN. Can you point to any other city where you have helped the people materially—where you have been of any material benefit to the people of the city in enabling them to purchase cheaper and better produce?

Mr. BRANCH. We can not point to that. We can point to the benefit that we have been to dealers and growers surrounding the city in having the city furnish good market facilities for them, and, as a result of our survey of municipal marketing activity in this country, we can show you that cities which have these various municipal markets report very favorably on them in respect to retail prices being lower, the goods fresher, and, in general, more satisfactory conditions surrounding the sale because of those facilities.

Mr. HAUGEN. When you refer to markets, do you mean a type of building of the same type as Center Market in Washington?

Mr. BRANCH. We can use that as an illustration or can take, for instance, various other kinds of public markets, such as where farmers drive in and sell at the curb or under steel sheds.

Mr. HAUGEN. When you were speaking about South Water Street, that related to an entirely different proposition. I did not know just what you were getting at.

Mr. BRANCH. I should refer to South Water Street as a produce district and distinguish it from a municipally owned market.

Mr. HOWELL. As a matter of fact, the production of peaches in this country for the last few seasons has been practically a loss from a business standpoint, has it not?

Mr. BRANCH. This past season it was in most regions, I believe. There might have been a few regions where they made a little money on it.

Mr. HOWELL. I know that we produce the best peaches in the United States in Utah, and the peach producers are all complaining that they have been doing business without a profit.

Mr. BRAND. Mr. Chairman, it was due to just this kind of a proposition that we went into this emergency work. We believe, if we could stimulate the moving of 500 cars, the \$500 that it would cost would have been money well spent.

STATEMENT OF MR. G. C. WHITE, IN CHARGE OF TRANSPORTATION AND STORAGE, OFFICE OF MARKETS AND RURAL ORGANIZATION.

The CHAIRMAN. Take up your next line of work, transportation and storage.

Mr. BRAND. The increase requested in this project is only \$6,020, and is really out of proportion to the importance of the work that is being done; but it is not necessarily a work which requires a great deal of expenditure, as the investigational features are, in part at least, cared for in the Bureau of Plant Industry. For the time being, however, we are confining our activities more particularly to the making of contacts with the railroads and getting assistance from the railroads. Mr. White, the project leader, is here and will present the work.

Mr. WHITE. Mr. Chairman, this project deals with transportation and storage, but most of our attention during the past year has necessarily been devoted to the transportation work.

Mention was made this morning of the fact that the market-surveys project had done some work in regard to the cold storage of apples. It is realized that there is a great deal of work in regard to storage, both cold storage and ordinary storage, along many different lines. We have some data in regard to the location and volume of cold-storage plants in different parts of the country, but we have not complete information in regard to the different commodities that are being stored, where they can be stored, where they are stored, the length of time they are stored, and what the prices are for storage—for cold storage and for ordinary storage. In particular, we have no information and no data on other than cold storage. We have been able to touch that only incidentally in our transportation work, and we are impressed with the fact that there is need of a campaign of education among the producers for the erection of more storage on the farms. That was brought to our attention very pointedly this last spring in some work in your own State, Mr. Chairman, in which we were asked to give assistance in regard to the rates for the marketing of the unprecedented grain crop in South Carolina. There was a conference in Columbia on the subject, and the question was asked, "What is the estimated amount of your crop of grain?" The figures were given. We further asked, "What is your consumption?" The figures were given. The question was immediately asked, "Why is it necessary for you to get rates to ship your grain crop if you are consuming more than you are producing?" and the answer was that "the farmers have no capacity for storage on their farms, nor have the grain dealers, and it becomes necessary for us to ship this to marketing centers and when we need it in the future to buy back the same or other grain."

The CHAIRMAN. In that connection you went up against a very strong sentiment among the local people to build very expensive elevators and things of that sort, and you advised against it, did you not?

Mr. WHITE. I myself did not come in contact with that particular discussion. I was present personally at one or two conferences in Columbia in which the question of rates was up. The question of

transportation is so inseparably connected with every phase of the marketing of every commodity that for a long time to come possibly the greater part of our work in transportation will be in the way of supplementing work of the other sections. We have been acting, so to speak, as the traffic bureau for the entire office. We have been able to make a great many contacts with the railroads and to bring about a better understanding, and I might say in some respects we have been somewhat of a balance wheel, even in our own office.

We have had the cooperation of the railroads, and without that cooperation much work that has been done in the office would have been impossible. Particularly are we indebted to the railroads for the statistics of the amount and the volume of different classes of commodities. It has not been possible to secure them from any other source, and the temptation has been to attempt to secure the statistical information regarding many commodities. Had all such requests been made at once, in many cases they would not have been able to give us everything that we asked for. They have had to go to great expense to compile this statistical information which we have requested from them.

Mr. HAUGEN. What is the nature of that statistical information?

Mr. WHITE. The statistical information—I refer more particularly—

Mr. HAUGEN (interposing). Has it reference to rates?

Mr. WHITE. Oh, no; it has no reference to rates. It is statistical information as to the movement of different commodities and the volume of the movement. There is not in existence a great deal of information as to the volume of production of different commodities. It has not been possible to get that information from any of the commercial men or from any other source than the records of the railroads. It will be brought out more particularly later on.

Mr. HAUGEN. Can not that information be gotten from the Interstate Commerce Commission?

Mr. WHITE. Their statistics are so very condensed that they do not go into detail as to the different classes of commodities. The information of the Interstate Commerce Commission as to the different commodities, for instance, is segregated under a few very general heads of the various products—animal products, agricultural products, and forest products—as a whole. One item, for instance, will be fruits and vegetables, and there is nothing to show which of these vegetables are potatoes, which are peas, or which are corn, and which of the fruits are oranges, which are apples, or which are peaches. It simply shows that the railroads of the United States for the fiscal year ending June 30, 1915, handled a total of so many million tons of fruits and vegetables, but there is no information to show where these products originated nor what their destination was, nor is there any information to show what, for instance, an individual line originated or what it received from connecting carriers.

Mr. HAUGEN. Why is it necessary to have in the department information as to where a shipment originated and where it is going?

Mr. WHITE. That will be brought out more fully in the discussion of the transportation and marketing of fruits and vegetables. I can only touch on the part we play in the securing of these statistics, as to the points of origin and destination and the total volume of the traffic.

Mr. HAUGEN. I take it that there is some good reason for obtaining those statistics. Some years ago we had a bureau of statistics within the department; we also had another statistical bureau in another department. Furthermore, we had a bureau of the census. We cut out some of them, and I am anxious to know if you have been duplicating work.

Mr. BRAND. No other governmental agency secures the figures as to the crop movement which we are obtaining and which are necessary if we hope to lay the foundation for better distribution. We must know how much we have to distribute and where it has originated as well as its destination if we are going to deal broadly with the proposition of distribution, and it is to determine the source of these supplies that we have made these arrangements to get these figures from the different railroads.

Mr. HAUGEN. Then it is in order to enable you to distribute farm products more evenly? What particular work is carried on by the office dealing with the distribution of the product itself and the information with reference to it?

Mr. STEELE. Does not the trade determine the distribution of these products?

Mr. BRAND. I could not say that the trade does not; but the trade has received most enthusiastically the four bulletins that we have just issued on the subject. The trade papers, the railroads, and the shippers' organizations have all been most enthusiastic about the first attempt to get together the sources of supply and the commercial movement of these crops.

Mr. HAUGEN. Do the bulletins give the statistics referred to here?

Mr. BRAND. Yes.

Mr. HAUGEN. The movement of grain shipped from one point to another?

Mr. BRAND. It does not give grain. These are perishable products. It also gives the areas of production and the time during which the products are shipped to the different markets, and shows the competing areas that enter into the various markets at the same time.

Mr. WHITE. A good deal of the work of the transportation section has been in handling the correspondence from different individuals throughout the country making inquiry in regard to some of the most fundamental things in regard to transportation—the various phases of transportation. It is surprising to find the lack of information among farmers who are producing stuff in carload lots and most of them selling through some other agency, having no occasion to attend to the details of shipping themselves. We are working at the present time on a bulletin on distribution which takes into account most of those questions that are so frequently presented.

We have requests frequently for assistance in the matter of adjustment of rates. Those are matters, of course, over which we have no jurisdiction, as they are handled by the Interstate Commerce Commission. We are frequently in a position to give the shippers from one section information as to how the rates they are paying on the shipment of certain commodities to the central markets compare with the rates that competing areas are paying. We do not, however, in any case attempt to handle these complaints in a case before the Interstate Commerce Commission but rather to put the facts before the interstate producers and shippers themselves and to give them

advice where, if they think it necessary, these matters can be taken up for final adjudication. In other words, we do not attempt to do for the shippers what we think they should do for themselves.

Mr. HOWELL. I understood you to say that you had made several favorable contracts with the railroads. Did that have reference to rates in the different parts of the country?

Mr. WHITE. Contacts. In regard to those requests for assistance and help in the marketing of some particular commodity, where the shippers think they are at a disadvantage in the matter of rates, we are just now handling a case from South Carolina affecting the asparagus producers. Sometimes a case arises where there is a real grievance in regard to rates. Sometimes it is a case where the producers themselves think they have reasons for not being able to market their commodities successfully and have gotten the idea that it is a question of rates. In some cases we have found that the very point of the complaint which is being made has already been decided only recently by the Interstate Commerce Commission. We put those parties in possession of the facts and save them the time and the expense of attempting to carry identically the same matter through again, showing them where the commission has already decided the point, as is sometimes the case.

Mr. HAUGEN. This information is supplied by the Interstate Commerce Commission, and they could apply to the commission just as well as they could apply to you and get the information as to decisions in rate cases?

Mr. WHITE. Oh, yes; but these requests come to us in connection with other requests for information on matters relating to marketing, where the questions of rates are involved. Of course, anyone who simply wants information on questions of rates or decisions could apply to the Interstate Commerce Commission and get those decisions.

Mr. HAUGEN. And the fact is that they can step into any railroad office and find the rates printed and on file there.

Mr. WHITE. It is very frequently the case—too frequently, indeed—that the man who wants to know what a rate is does not know where to go to find it.

Mr. HAUGEN. Under the law they are required to keep a schedule on file in the office.

Mr. WHITE. They are, but the man who wants to know that rate does not know what the law is.

Mr. STEELE. But he asks the agent what the rate on a commodity from one point to another point is.

Mr. WHITE. And maybe the agent can give him that information and possibly he can not.

Mr. STEELE. Why can't he? He will give the rate.

Mr. WHITE. He can give him the rate, but he does not always do it.

Mr. ANDERSON. I shipped my automobile, or, rather, I tried to ship my automobile, and when I went into the office the agent gave me a rate and I paid it, and before I got through I paid some more. My experience is that about nine times out of ten the agent does not know the rate.

Mr. STEELE. Can you give the rate on Mr. Anderson's automobile?

Mr. WHITE. No, sir. In the work of our office it is frequently necessary that we know the rates on the different commodities from certain sections. In that respect we are undertaking to keep a file of tariffs in order to be able to give that information, but we are not making any attempt to quote rates or to do any work of that kind. If a man does not know where to go to get this information we simply refer him and tell him how to get at it. We get many requests of that kind. The greater part of the work that the transportation section has done during the past year has been in connection with the experimental market news service. The work has been conducted this past year in the matter of making arrangements with the carriers for the assistance and cooperation which were necessary for us to have in order to make the service a success.

Mr. HAUGEN. Will you explain what this cooperation with the railroad is? You are referring to the railroads, and, judging from your statements, it seems to me that according to statements made here that the railroads are the whole salvation of the country, that they only are deserving of consideration. What are all these favors that have been extended by the railroads, and to what extent?

Mr. WHITE. It is not that we have extended favors to the railroads but that the railroads have extended favors to us.

Mr. HAUGEN. That is what I have reference to. What particular favors have the railroads extended to your bureau?

Mr. WHITE. In the furnishing of the reports of the forwarding of these commodities that we were telling you about, with reference to the four crops that we took up this year—strawberries, cantaloupes, tomatoes, and peaches.

Mr. HAUGEN. Do you consider that any favor?

Mr. WHITE. Without that information it would have been absolutely impossible to carry on the work.

Mr. HAUGEN. Was it not the duty of the railroad companies to furnish the information as to the rates?

Mr. WHITE. It was not a question of rates; it was a question of movement.

The CHAIRMAN. Take a specific case. I think I catch what you mean. Take up the cantaloupe business, Mr. White.

Mr. WHITE. We received daily by wire from the railroads at the expense of the Office of Markets a report showing the forwarding, for instance, of the peach crop. We received every morning about 7.30 o'clock telegrams from the railroads in the producing sections showing the total number of carloads of peaches that have been forwarded, segregated by destinations. We got those telegrams, commencing with the Georgia crop and going through until we reached the Pacific Northwest.

Mr. BRAND. In order not to get too far into that, because it relates to another project, may I say that all these arrangements with the railroads, which involve a world of detail and a world of work on the railroad's part, were made by Mr. White's section. The substantive work was carried on by Mr. Sherman's project, but Mr. White made all of this possible through his section.

Mr. RUBEY. And without that information you say you would have been absolutely estopped from carrying on this work?

Mr. BRAND. Absolutely.

Mr. HAUGEN. That is what is being done as to live stock and grain. After you get this information what value is it to you? What do you do with it?

Mr. WHITE. That was used in connection with the market news section.

Mr. HAUGEN. We were told that favors of great value were extended to the department. We knew where it came from but not what it was, and if you can not answer that, all right; just so it is cleared up before we get through.

Mr. BRAND. It will be cleared up fully.

Mr. WHITE. Any request that is put up to the railroads emanating from a governmental source immediately meets with some suspicion. Authority among railroad officials is so centralized, and this was so entirely a new thing, going to the railroads and asking for this information, that it was absolutely impossible to handle it by correspondence. Had we undertaken to do so, we would have still been corresponding with the railroads about last year's strawberry crop. It was absolutely necessary for us to go to the railroads and study their organization, to find out what particular official had charge over the thing on which we wanted information and get access to that official, put the matter clearly before him, and show him definitely that this was something that was not only for the benefit of the producers along his line but that it was of direct as well as indirect benefit to the railroads, both in increasing their tonnage and in the matter of decreasing their claim payments; and when we got access to those men we stayed there with them until we got what we wanted and got the instruction issued. It involved a great deal of travel.

This map [indicating] will indicate the situation roughly. The red lines show the railroads that we have interested in this work and that have been cooperating with us in it. It includes, I should say, not less than 225,000 miles, possibly 240,000 miles, of the total of 252,000 miles in the country. These black circles here [indicating] represent the most important of the cities where general offices of railroads are located. As I say, it has become necessary for us to go direct to these general offices and get in touch with the officials who handle and have jurisdiction over the particular thing that we want. You can see readily the necessity for a great deal of travel in connection with this work.

Mr. STEELE. The point is that you are advised as to the number of cars of cantaloupes, the number of cars of peaches, and the number of cars of apples, and now you know exactly at what terminal point they are going to go. As I understand, the object is that you are going to know to-morrow or next week or at some particular time that there will be so many cars of cantaloupes in New York City, so many cars of peaches, and so many cars of apples; is that the idea?

Mr. WHITE. That is the idea; yes, sir.

Mr. STEELE. Now, when the car arrives at Omaha, you want to switch out a certain shipment of apples that is going to New York. You find the market glutted, and now you want to switch off to some particular point, so that you will have distribution at some place where they have not enough apples, say. That is one feature of your information, as I understand it. Let us assume that the party who

has shipped this carload of apples to New York has drawn against it a sight draft on the dealer. Do you think that you can ship that carload of apples from Omaha to St. Paul or St. Louis?

Mr. WHITE. We are letting him do that.

Mr. STEELE. What do you do? Do you wire him that the market is glutted?

Mr. WHITE. We give him the information as to what is moving and where it is going, and we know the normal consumption of all of those cities.

Mr. STEELE. If you switch him off down to St. Louis and he finds that there is no market there at all, what happens then?

Mr. WHITE. We give him the information and he does what he wants to.

Mr. STEELE. It is pretty hard to keep him from going to New York if he has a draft against the apples.

Mr. HAUGEN. You give the information. Who is benefited by that information?

Mr. WHITE. The producers and consumers.

Mr. HAUGEN. If the sight draft has been drawn, in all probability the shipment can not be diverted the way the business is conducted in general. Now, who is benefited by that?

Mr. WHITE. It does not move on shipper's order at all times. Many of them are open shipments and can be diverted at will.

Mr. HAUGEN. But the general run of business is exactly as indicated by Mr. Steele. Now, who is benefited by this information which is given to the producer?

Mr. WHITE. The producer is benefited by it.

Mr. HAUGEN. To what extent and how is he benefited? Is it not a fact that, where you advise the commission man in New York or in Chicago that a large surplus of perishable fruit is coming in, they take advantage of that very information and put the price down?

Mr. WHITE. I will have to leave that question for the gentlemen who are handling the markets.

Mr. BRAND. Mr. Haugen is assuming a wrong basis.

Mr. HAUGEN. Probably I am, but I would like to get it straightened out.

Mr. BRAND. The bulk of the perishable products do not move on bill of lading with draft attached, but they move on the order of the shipper who consigns them. In some instances and in some areas very likely perishable products do move as you have outlined, and most imperishable staple products, cotton, grain, etc., do move that way, but perishable products do not; so the same theory does not apply.

Mr. HAUGEN. I am not a commission man, yet I have had a great deal to do with it, but Mr. Steele is.

Mr. BRAND. Butter and poultry and things of that sort move as you have outlined, but perishable products do not.

Mr. HAUGEN. I think you will find that the commission men finance the shippers.

Mr. BRAND. Very likely.

Mr. HAUGEN. And they may finance them in this way.

Mr. HOWELL. The commission men need and get this information just the same as the producers do. They get the information

that the market is going to be glutted, and they govern themselves accordingly.

Mr. HAUGEN. They take advantage of it.

Mr. BRAND. That is true, and they are our strongest supporters in this whole matter, as well as the producers and the producers' organizations.

Mr. HAUGEN. This enables them to buy products cheaper.

Mr. BRAND. The information is obtained through one central source, and the best that can be secured is sent out.

There is one point I think Mr. White should develop before he concludes—the daily card report and what it is for?

Mr. WHITE. For the purpose of the market-news service for the coming year, we have gotten the cooperation of all these carriers, and they have agreed to put into the hands of their local station agents at points where the 12 or 15 commodities which it is proposed to handle the coming year are produced, where they are shipped, or any one of them, a supply of addressed, franked postal cards for reporting to the office daily each car of any one of these commodities which is forwarded. That information will be used in connection with the market-news service on the less perishable commodities. It will be taken up by mail. At the height of the season we will ask the railroads to give us, as they did last year, telegraphic reports of the more highly perishable commodities.

Mr. STEELE. Does not the commission man have that same report from the railroad companies?

Mr. WHITE. No, sir. Under paragraph 6 of section 15, the carriers can not give any private individual information concerning any shipment that is in transit, as to the identity of the consignor or the consignee, or any facts that would give one man information about another man's business, but officials of the Government are excepted under that clause.

Mr. HAUGEN. Then you get the information and you pass it on to the individuals?

Mr. WHITE. We give it in such a way that the identity of the consignors and consignees is not divulged, nor is any transportation company given any information as to the business of any other transportation company.

Mr. HAUGEN. What information do you give that the railroads do not give?

Mr. WHITE. Railroads are not giving out any information.

Mr. HAUGEN. I understood you to say that they could not give it to an individual, but that they could give it to the Government officials, and that they are giving it to you at this time.

Mr. WHITE. That is true, and even many things that would not constitute a technical violation of the law they refuse to give to the individual.

Mr. HAUGEN. But they give it to you?

Mr. RUBEY. They do not give the name of the shipper, but they give the number of the cars that are shipped.

Mr. WHITE. They will not undertake, for instance, to give to any commission man the number of cars of peaches coming into Washington to-morrow. They take this stand: "If we give it to one man we will have to give it to everyone," so they do not give it to

anyone. When they give it to the Federal Government there is no burden upon us—

Mr. STEELE. That is different from our live-stock information. I can go to the Milwaukee Railroad and say, "How many cars are you going to have on No. 14 in the morning?" and they will tell me.

Mr. WHITE. You can get in the live-stock industry certain information as to the total number of cars. The statement I make is a general statement as to farm products—the more highly perishable things. The live-stock industry has been developed along different lines and is more thoroughly organized, but I was speaking generally, and generally that is the case.

Mr. HAUGEN. What do you have in mind when you refer to paragraph 6 of this act—that certain information can not be given to the individual but it can be given to you. My understanding was that you get this information from the railroads but that nobody else could get it.

Mr. WHITE. For instance, if we say that Kansas City has received 125 cars of peaches, we do not show the individual lines that deliver those peaches, nor do we give any information as to the consignors and consignees.

The CHAIRMAN. What do you do with your information? That is what these gentlemen are getting at.

Mr. WHITE. That is used in the market news service.

The CHAIRMAN. Which will be discussed under another item?

Mr. WHITE. Yes.

Mr. HAUGEN. Just so that it is not overlooked.

The CHAIRMAN. In your absence this morning, Mr. Haugen, Mr. Brand made the statement that all of these various lines of work were very closely linked up. Mr. White is one small link in this one big item, and Mr. Sherman, who will follow, will take up certain information that Mr. White has gathered. I think when we get all of these men to appear before us and give us their story we will get a pretty good picture of the work.

Mr. WHITE. The only other point which I wanted to make in that connection was that, by reason of the fact that we have had experience with transportation companies and know their organization and their methods of doing business, we have been enabled to get this information much more quickly than those who have not had such training. As I say, it has been necessary to go direct to the general offices of the carriers, and it would have been absolutely impossible to have handled such matters as this by correspondence. Furthermore, in that work it would have been absolutely impossible to succeed without the cooperation of the carriers. They are not compelled to give us this information, but they have given it to us voluntarily and willingly, knowing that it assists them directly and indirectly in many ways.

The CHAIRMAN. And through you they assist the producer and the consumer?

Mr. WHITE. Yes, sir.

Mr. HAUGEN. You get away from the cold storage. What can you tell us about the cold-storage eggs? What are you doing there, what are you suggesting, and what benefit have you been?

Mr. BRAND. Miss Pennington is handling that work and, I believe, has already appeared before the committee.

Mr. HAUGEN. I understood Mr. White to say that you were giving considerable attention to cold storage in the way of suggesting the building of cold-storage plants in the country.

Mr. WHITE. No; I referred to the work that was being done in the market survey section in regard to the cold storage of apples. As a matter of fact, the work has been along transportation lines, and while storage is a part of our work we have been able to go only incidentally into it and give it only comparatively slight attention. A part of the increase in this appropriation is asked for the purpose of securing some one to handle this storage work, so that he can give undivided attention to it.

Mr. HAUGEN. But you pay no attention to the storage itself?

Mr. WHITE. No; we do not.

**STATEMENT OF MR. CHARLES J. BRAND, CHIEF OF THE OFFICE
OF MARKETS AND RURAL ORGANIZATION—Continued.**

Mr. BRAND. The next project is the one entitled "Miscellaneous problems in marketing and cooperation," which has been the parent project of several other new separate projects. The work in dairy marketing and in grain, hay, and seed marketing and certain other activities were initiated under the allotment for this project. It is used in that way. Our foreign market work is proposed under this item with reference to specific products. The project is not one which is carried on in and for itself but rather as an originating project for other activities. It is used in cooperation with other kinds of activities, such as Miss Pennington's work and other work going on in the department, with which we cooperate. It is intended less for carrying on cooperative work than for the origination of other lines of work, and during the coming year we plan to give special attention to certain phases of foreign marketing and a consideration of the marketing of wool to a certain extent. In that respect it will be used to assist the marketing of meat, live stock, and animal by-products. It is in a way a catch-all project, as its title indicates. If you wish to hear the plans that we have in contemplation under it, I would be glad to go into it. They are general in character, and we are asking for a much reduced amount.

The CHAIRMAN. I want to ask you one or two questions. First of all, you mentioned dairy marketing, and I would like to ask if your work would conflict at all with the work in the Dairy Division of the Bureau of Animal Industry?

Mr. BRAND. Not in the slightest. We work in the very closest cooperation with Mr. Rawl in his work.

The CHAIRMAN. I guess we will take up these other items, "Marketing by parcel post and express."

Mr. BRAND. Mr. Flohr, who handles this work, I am sorry to say, was taken seriously sick day before yesterday, and I am compelled to present it myself, although I am not as familiar with it as he is.

We are not proposing the parcel post as a panacea for all the marketing ills, but rather, as Mr. Branch stated in his presentation, incidentally. It is intended for the marketing of small quantities of produce by persons who would otherwise probably not have any outlet whatsoever, and I can state from personal experience with reference to it that there is a wonderful opportunity to develop that kind

of incidental farm business. I am a farmer myself in absentia, and I get my country sausage, eggs, and many other products from my own farm by parcel post. I also use the parcel post to send things to my farm, and I find it exceedingly satisfactory.

A large variety of products have been tested, something like 2,300 experimental shipments having been made, tracing the condition of the container, the condition of the product, and all of the other factors. Two bulletins have been issued on the subject, the first one being on the shipping of eggs by parcel post, and I do not think it is too much to say that it has resulted in a very wide extension of the use of parcel post for egg shipping. I had one experience in which two dozen were shipped, where the whole dozen on the lower tier were broken, but that was only one case in 30 or 40 shipments of similar kinds during the winter in my experience. We have a great many of these experiments where we trace the actual condition of the shipment. That applies to other things as well as eggs, such as cherries, lettuce, and things of that sort, which are very perishable. In the case of lettuce winter shipment has been found thoroughly practicable. It is very high-priced at that time, and you can afford to pay the higher postage. So we are looking at the parcel post as an incidental method of marketing, but we are not suggesting, as Mr. Lubin does, that the cotton crop ultimately will be distributed by parcel post.

Mr. HAUGEN. I take it that you have been experimenting with hardy varieties?

Mr. BRAND. No; we have not. We have been experimenting with regular commercial varieties, with respect to perishable as distinguished from imperishable products. Our bulletins on parcel-post shipping have been distributed quite widely, and we know that they are having effect on people who otherwise would probably waste a great deal of good material.

Our men have admit cards, so that they are able to trace the shipments and follow them throughout and see just what attention is given to the products, and the Post Office Department is very greatly interested in this matter and accepts all kinds of suggestions looking to the betterment of the service. We are asking for almost no increase in this item, so far as I recollect it now. I will be very glad to answer any questions which I may be able to in regard to the matter. I have not made any particular study of the question other than what I have stated.

Mr. HAUGEN. My experience with the parcels post is that if you are satisfied with taking what you can get from the parcels post, if you get it at all, it is good service.

Mr. BRAND. Our work is definitely directed to seeing that what you get is what you want.

Mr. HAUGEN. I have made several shipments and have found that they were about a week or two behind and that the packages are in a bad condition when they are received. Do you suggest shipping by way of parcels post?

Mr. BRAND. Yes; where it is a suitable method and where there are no economic conditions which would make other methods of carriage preferable.

Mr. HAUGEN. Have you taken into consideration the fact that the Government pays more than 4 cents a pound on the average to the

railroad companies for hauling parcels post; whereas the express companies pay less than 1 cent, and that every recommendation made for a shipment by parcels post means to pay six times the revenue to the railroad company? Is it the function of the Government to advertise and aid the railroad companies to that extent, especially now that this administration was so generous with them and gave them a 5 per cent increase against the decision of the Interstate Commerce Commission?

Mr. RUBEY. Is it not a fact that the Congress of the United States established parcels post?

The CHAIRMAN. Some years ago.

Mr. RUBEY. Are you not accepting conditions as you find them?

Mr. BRAND. We take the two rates and compare them and compare the economic conditions and we try to arrive at a conclusion as to whether a man ought to use one or the other; and we also recommend the express companies just as freely for certain products.

Mr. HAUGEN. Congress established the parcels post, but your department now encourages paying the additional \$3 a hundred.

The CHAIRMAN. Mr. Brand's answer to that would be that he is not running the post office end of it.

Mr. HAUGEN. But he is running this bureau, and as such he is practically an agent of the railroads in increasing their revenues.

Mr. BRAND. If we can help the railroads, we are not averse to doing that. They help us a whole lot.

Mr. HAUGEN. It is for us to know what this money is being used for, and if it is used particularly to advance anyone's interest at the expense of others I am opposed to it. I do not care whether it is the railroads or anyone else.

The CHAIRMAN. Take up your next item.

Mr. BRAND. The next item is "Marketing live stock, meats, and animal by-products." That item is one in which we are asking for a considerable increase, \$17,245. I will ask Prof. Hall to present that work.

STATEMENT OF MR. LOUIS D. HALL, IN CHARGE OF MARKETING LIVE STOCK, MEATS, AND ANIMAL BY-PRODUCTS, OFFICE OF MARKETS AND RURAL ORGANIZATION.

Mr. HALL. Mr. Chairman and gentlemen, the work in marketing live stock, meats, and animal by-products deals with the live stock from the time it leaves the range until the product reaches the ultimate consumer. We are dealing with a product that aggregates something like \$5,000,000,000 in farm value, and the annual products are worth something like \$3,000,000,000. In that connection I might say that the meat-packing industry is the largest single industry in the United States, measured in terms of value of products. This project is peculiarly an interstate proposition, because of the fact that the bulk of the live stock is in the Middle West and the West, while something like one-half of the population of the country lives in one-half of the area east of the Mississippi and north of the Ohio Rivers. Consequently there is a great movement from west to east, which explains why the principal market centers have been built up at Chicago and the Missouri River points and why the live-stock markets are moving westward with the population.

At present there are something like 35 or 36 fairly important central markets for live stock in the United States to which animals can be consigned and sold on commission. One of the first systematic efforts that we have made in this project is a study of these central markets. We have personally visited 32 or 33 of them and studied their facilities, their organization, the stockyards equipment, the live-stock selling organizations, the speculators, and the packing facilities, order buyers, and so on, with the idea that perhaps two-thirds or three-fourths of the problem of marketing live stock in the United States is focused right at these central markets, the first necessity from our standpoint being to get the fullest possible information regarding these market centers. I might say that of the 18 markets for which we have the capitalization figures we find they aggregate \$47,000,000. It is obvious that live stock passing through these market centers is passing through a public utility, and it is proper to determine whether these markets are answering the purpose of public-service establishments.

Mr. HAUGEN. What information have you as to the operation? I am very much concerned about that. What information have you as to the operations of these markets—the stockyards?

Mr. HALL. We have a schedule of nearly 100 questions, dealing with various points pertaining to the operation of the markets, all the way from the terminal facilities—from the time the railroad companies get the stuff at the point of origin until the time they arrive at the terminals of the railread or at the unloading dock, as the case may be—

Mr. STEELE. Just please follow one shipment.

The CHAIRMAN. He can not, gentlemen, if you interrupt him that way. He is trying to do it now, and I think when a question is asked the witness he should be permitted to answer it. These gentlemen are the servants of the Government, and I have the right—it is my duty—to protect them in such manner as may be necessary. He was trying to answer it, and I would like him to answer it without further interruption.

Mr. STEELE. He started off in another direction.

The CHAIRMAN. Well, let him complete his statement, and when he has completed it, if he has started off in another direction, you can ask the question again. You can not get the information when you are breaking into his statement. This bureau has been in operation only about two or three years.

Mr. HALL. Let me illustrate the answer to that question by one of the first things we did in 1914, immediately after the establishment of this project. Assuming that some original data would be much better than a lot of statistics which we might gather from the Census Bureau and from interviews with market people and others, we decided that we would go out and get some actual figures on representative shipments, and we went to 12 different sections of the United States or, I should say, to farms and ranches in 12 different sections, and selected lots of cattle on which we could get reasonably satisfactory statements of the cost of production up to the time the cattle were ready to market.

We followed those shipments from the time they left the farm or ranch, and in one or two cases the cattle were actually followed on

the round-up, in order to get that element of the cost of marketing. We followed them to the stockyards, through every step of the process of marketing, and through the packing houses, to get the cost of slaughtering and refrigerating, as nearly as we could, and out to the branch houses, and finally to the retail market. I am glad it occurred to me to mention this, because it brings out the fact that we are not considering any one step of this process as the crux of the problem of marketing but that we believe there are improvements that can be made all along the line from the time the stock starts to the market until the meat goes to the consumer.

Mr. STEELE. Well, you are on the round-up. What do you say that you can improve? Let us just take a bunch of cattle and round them up. What do you do?

Mr. HALL. The assistant who accompanied the round-up, I think, reported no particular part of that transaction which could be improved.

Mr. STEELE. Give me your knowledge of a round-up.

Mr. HALL. Of course, the round-up consists in providing a chuck wagon with supplies for an outfit of cowboys, which starts out over a given area of country, goes to the heads of the creeks and streams tributary to the grazing region and gradually from time to time rounds the cattle down one day nearer to the loading point.

Mr. STEELE. What time of the year is this done?

Mr. HALL. That is from August to November—the fall round-up season, the beef round-up. The particular lot I mentioned was followed in September or October from Montana to Chicago. The cattle were sold in Chicago and slaughtered there.

Mr. STEELE. Let us round-up these cattle.

The CHAIRMAN. You are getting in the way, now. Mr. Steele, I will have to ask that you let the witness continue.

Mr. HAUGEN. He wants to ask him—

The CHAIRMAN. Mr. Steele, I will have to protect you from your colleague. I want this round-up done right. I think they are pretty well rounded-up now.

Mr. STEELE. What did you do?

Mr. HALL. This was only one of 12 shipments. The rounding-up item is a very small item in the cost of marketing.

Mr. STEELE. It is not a very large item if you have a round-up wagon and outfit?

Mr. HALL. No, sir.

Mr. STEELE. In this round-up, after you have rounded all of these cattle up, A takes out certain brands, and they are thrown over here, and B a certain bunch with his brand, and they are thrown here [indicating]. Is that your idea of a round-up?

Mr. HALL. That is true in some cases. In many cases the cattle of different brands are separated at the market.

Mr. STEELE. I refer to the general round-up, and that is about the only way they do it. Each brand of each one's cattle is separated; then he starts to market. Let us take him to market. Go on with it. I want to see what he has to do.

Mr. HALL. The next step is to load them on the cars and get them to market.

Mr. STEELE. Well, he has got them loaded up.

Mr. HALL. They are sent to his commission firm or to himself, subject to order after they arrive at the market or to diversion en route.

Mr. STEELE. Let us unload them. What do you do at the unloading sheds?

Mr. HALL. The stockyards company unloads the cattle and delivers them to the pens of the commission company.

Mr. STEELE. Yes.

Mr. HALL. And the commission company feeds, waters, sorts, sells, and weighs the cattle.

Mr. STEELE. But what kind of cattle have you shipped in this shipment?

Mr. HALL. We have shipped—

Mr. STEELE (interposing). You have shipped bulls and old cows; you have shipped heifers and calves and 3-year-old steers and 2-year-old steers.

The CHAIRMAN. Mr. Steele, you asked the witness a question and then you answered the question yourself.

Mr. STEELE. He does not seem to know.

The CHAIRMAN. If you will give him time, he may answer it. The gentleman does not talk without thinking.

Mr. HALL. As I stated, we have endeavored to find representative lots of cattle. We have not followed the shipment of all of the kinds of cattle that Mr. Steele has mentioned. We have simply accompanied shipments of other people who have been kind enough to cooperate with us in giving us this privilege.

Mr. STEELE. He has gotten to these stockyards where these speculators are.

The CHAIRMAN. Let us get him to the speculators. You have got him to the chute and you have unloaded him. Go ahead.

Mr. HALL. I mentioned that the commission company feeds, waters, sells, and weighs the cattle and delivers them to the scales where the packer takes them.

Mr. STEELE. These cattle are sorted after they get in and then they are again sorted, are they not?

Mr. HALL. Yes, sir, usually, unless they are already sorted when they come in.

Mr. STEELE. These beef cattle are kept off in one pen, all the steers in another, all the horned cattle in another, the heifers and bulls in another, and the calves in another. They are classified, are they not?

Mr. HALL. Yes, sir.

Mr. STEELE. By the commission men?

Mr. HALL. That is a part of the commission man's business, of course. I do not know just how much detail the committee wishes relative to that part of the business.

Mr. STEELE. I want to know. You are asking for an increase of \$17,245, and I want to know what benefit you are getting in this part of the department.

Mr. BRAND. I do not think we will ever arrive at that unless we permit Mr. Hall to describe the different lines of work that he is carrying on which relate very little to the round-up and very much to a number of other problems.

Mr. HAUGEN. We are not particularly interested in the round-up.

The CHAIRMAN. You are not, but your colleague is.

Mr. STEELE. The witness has gone out on a round-up. I want to know what he has found out, and I want him to tell me, if he can, what benefits we are going to derive from his knowledge.

The CHAIRMAN. Let us agree here by unanimous consent that Mr. Hall proceed for five minutes without interruption, and if in that time he has not said anything—if you gentlemen do not think he has conveyed any information to you—then ask your questions. ([After a pause.] That is agreed to.

Mr. HALL. That particular line of work—the tracing of these shipments—was part of an investigation that was carried on by direction of a committee appointed by the Secretary to form the basis of a report on methods and costs of marketing live stock and methods and cost of distribution of meat in the United States, and we made these records just as complete as we could. Each man who was tracing those shipments was thoroughly familiar by experience with the operations of the different stockyards, and we would be delighted to explain at this time, if you wish, all the details of the handling of these shipments into the stockyards. It is difficult for me to know just how far to go into detail for those of you who are not familiar with the live-stock markets.

The CHAIRMAN. Those who are not familiar with it do not care much about it. We want the general results.

Mr. HALL. As a result of those studies we compiled a report which was submitted some months ago for the consideration of a committee that had been appointed by the Secretary. That was followed by a number of lines of work, more or less remotely connected with the central live-stock market. For instance, a special report on the marketing of live stock in the South was called for last year on account of the depression due to the cotton situation in the South. Several weeks were spent there. A special investigation of the marketing of live stock in Colorado was made at the request of the governor on behalf of a committee of citizens who asked that a representative be sent to look into the market conditions there, and several special lines of work of that sort have been carried on and presented in special reports.

Incidentally, in speaking of the shipment of live stock to the central market, I want to mention one matter which we discovered in which the stockman can be of a great deal of assistance to himself in certain sections of the United States. I refer to the cooperative live-stock shippers' associations. In Minnesota something like 200 of these associations have been formed. It is a new movement. I think it began in 1908, and I was told not long ago by a representative of the University of Minnesota that it was estimated that a saving of a million dollars is effected in Minnesota each year through the agency of these associations. Several farmers, each of whom has only a few head of stock to sell and who formerly have had to sell to local shippers, by the very simple arrangement of agreeing on a shipping date and pooling their shipments get a carload. By marketing through that sort of an association they have saved all the way from 25 cents to \$1.50 a hundred on their shipments. We have made a study of that method of shipping and have prepared a bulletin, which is now on its way to the press.

MR. ANDERSON. You referred to a report made to the Secretary in connection with this investigation which you made on the live-stock industry. Was that report ever made public?

MR. HALL. I think not.

MR. ANDERSON. I heard that this report had been made, and I tried very hard to get a copy of it but never succeeded.

MR. RUBEY. I have been here all day waiting for this item to be reached, and I want to ask several questions. I would like to have the committee grant me the courtesy of putting these questions to the gentleman until I develop the facts I am after. I want to ask, first, whether, in your opinion, there is proper competition existing in our market for the purchase of live stock? In other words, if I ship a carload of fat cattle to the St. Louis market, how many men will bid on my cattle?

MR. HALL. The number of bidders varies a good deal, of course, at the different yards. I would like to answer that question by saying that at the conference which was held at Chicago by direction of the Secretary of Agriculture, on November 15 and 16, at which Mr. Brand, Chief of the Office of Markets and Rural Organization, presided, it was the consensus of opinion of those who gave their experience at that meeting that competition in bidding has very materially diminished within recent years.

MR. RUBEY. Now, I want to give you this illustration. I have been told—I do not know how true it is—that in the Kansas City live-stock market, when a shipper takes his carload of cattle to the market, it reaches there in the morning and he puts it into the lot, and he waits until 10 o'clock for somebody to come and make a bid on his cattle. Possibly nobody appears until 10 o'clock; then only one man appears, and he can get only one bid upon his cattle. He has got to take that bid or nothing. Do you know anything about that condition?

MR. HALL. I have heard that mentioned a number of times. We have not investigated that particular thing first hand.

MR. RUBEY. Mr. Chairman, I desire to read this letter into the record. I think this is proper, and I want simply to do it for the purpose of calling it to the attention of this Office of Markets. This came up in my State. We had a week at our university and agricultural college, known as farmers' week, and gave that week to various groups of agricultural people and discussed those things which pertained to their particular line of industry. The live-stock people stated, and I have this letter from the association in my State, dated Columbia, Mo., January 21, 1916, reading as follows:

MISSOURI CATTLE, SWINE, AND SHEEP FEEDERS' ASSOCIATION,
Columbia, Mo., January 21, 1916.

Hon. THOMAS L. RUBEY,

House of Representatives, Washington, D. C.

DEAR SIR: I inclose herewith a brief report of the sixth annual meeting of the Missouri Cattle, Swine, and Sheep Feeders' Association, including a copy of the resolutions adopted by the association.

Stockmen of this State are very much disturbed over the unsatisfactory market for fat cattle and hogs. Many are of the opinion that wholesale and retail prices for packing-house products are not in their proper relation to the prices of live stock. They would like definite information in this matter, and seek a uniform system of accounting and publicity concerning the large packing plants.

You may have noticed in the Congressional Record of January 10 that these resolutions were brought before the Senate by Senator W. J. Stone. Our live-stock feeders will appreciate any effort you may make in their behalf.

Very truly, yours,

H. O. ALLISON, *Secretary.*

I desire to read the resolutions adopted by that association January 7, 1916:

Whereas the live-stock industry of the corn belt is fundamental to the welfare of the people of the corn belt and to the consumers of meats in the United States;

Whereas this great industry is suffering from depression because of unsatisfactory market conditions; Be it

Resolved, That we favor early action by Congress conferring upon the Bureau of Markets and Country Organizations of the Department of Agriculture the duty of enforcing a uniform system of accounting upon all corporations doing an interstate business in the manufacturing, buying, and selling of food products, with a view to making more insistent a proper relation between demand, supply, and price;

That we favor an early enactment by Congress of a law providing for the standardization of agricultural products;

That the United States Department of Agriculture be respectfully asked to issue frequent public reports on the meat supply of the United States, as it now does in the case of the grain supply;

And that we favor the strictest enforcement of the antitrust laws.

Committee on resolutions: Dr. A. W. Nelson, Bunceton; Judge Wm. H. Wallace, Kansas City; Frank McRoberts, Malta Bend; J. H. Starr, Centralia; S. D. Gromer, Columbia.

Of course, I understand that this department does not have anything particularly to do with the enforcement of the antitrust law, but where you find a situation as I have described it, where there is only one bid offered for cattle, evidently there is a combination somewhere or there would be some other packing house with a representative there to buy those cattle. Where you find conditions of that sort, is it the duty of this department to report those facts to the proper officials of the Department of Justice or take other appropriate action in order that those things might be looked into?

Mr. HALL. I am not fully advised as to the legal limitations of our bureau on that particular point.

Mr. RUBEY. You would not have any right, possibly, except to report this matter to the Department of Justice?

Mr. HALL. But it is my understanding that that information should be available.

Mr. RUBEY. If you found that that condition existed, what would you do with that information? Do you try to remedy that situation?

Mr. HALL. Most assuredly, sir. As we get into this far enough to determine on wise solutions of these problems, it is our purpose to aid in the utilization of that information in whatever way may seem most effective. I think you understand that having only taken up this work within 18 months we are far from convinced that we understand the wisest solution of many of the problems which we have encountered.

Mr. RUBEY. I agree with you on that, and I am in accord absolutely with the work this office or bureau of marketing is going to do. I believe that within a reasonable time this will be one of the most important branches in the Agricultural Department.

On the 21st of October last, in the Chicago market, no buyers appeared for hogs. No prices were offered, and the shippers stood

around there until late in the afternoon before anybody made any bid on the hogs. There was not a great glut of the market or anything of that sort, but the prices of the hogs went off that day from 75 cents to \$1.25. Now, evidently there must have been some pre-concerted action on the part of the packing houses or the people who bid for the packing houses, or something of that sort. Has that matter been called to your attention?

Mr. HALL. Yes, sir; matters of that kind have been called to our attention, and I might say right here that at the conference I referred to, held in Chicago on the 15th and 16th of November (which I think is the first attempt that has ever been made to bring together all of the interests involved in this great industry, from the producer clear through to the consumer), all of these matters were pretty thoroughly discussed, and we have an official record of that conference, consisting of some several hundred pages, which I think is the most valuable material of that kind ever brought together.

Mr. RUBEY. There is a condition existing out in the live-stock market that ought to be remedied. Whether that can be brought about through this Office of Markets or not I do not know, but it is, as you said in the beginning of your statement, interstate business, and if it can not be done in that way, then it ought to be done by some law passed by Congress, in order that there shall be competition between the packing houses of this country in buying products. If that is not true, the producers are going to suffer.

Mr. HOWELL. Have you ever considered whether the Federal Trade Commission should not take jurisdiction of a question of that kind?

Mr. RUBEY. Yes, sir; and there was a resolution introduced in Congress a few days ago calling the attention of the Federal Trade Commission to this matter and asking them to make an investigation.

Mr. STEELE. Say, for instance, there are three or four packing houses in one of these markets. Have you discovered that there is a uniformity in the prices paid by those packing houses?

Mr. HALL. I can not say that we have investigated that.

Mr. STEELE. That is, have you gone far enough to find that there is a practical division of the cattle and the hogs by these particular packing houses? In other words, have you found out that, if to-day there arrives at that market 99 cars of fat cattle and hogs, there would be about an equal division of the cars to the packing houses?

Mr. HALL. We have a number of second-hand statements on those points, but we have no first-hand information which I am in position to give.

Mr. BRAND. I would like to inject an answer there to this effect, that at the conference in Chicago an important commission man of Kansas City stated, and it was not denied in the conference, that they had made a practice of splitting their shipments. We are not in a position to say that we have proof that that is the case.

Mr. STEELE. That may have been so in years gone by, but it is not the case to-day. In other words, if 99 cars of butchers' stock are at this particular market, would the beef cattle or slaughter cattle which is to go to these beef markets be equally divided; and if there were 150 cars of hogs to arrive there, would there be an equal division of the number of hogs to the packers?

Mr. HALL. Yes; that has been alleged.

Mr. STEELE. Then, have you arrived at a place where you can insist on each of these buyers paying more for the product than they do? In other words, there is no law prohibiting whispering, is there?

Then, if it is understood among these packers that each one will get his quota of the shipment and they know what prices they paid yesterday, they know about what to pay to-day. So is it your opinion or have you arrived at a conclusion that this stock is divided up?

Mr. HALL. No, sir; I can not say that I positively have. The best information we have on that subject is in the official record of our conference at Chicago.

Mr. STEELE. Let me take Gov. Rubey's statement, where he said 75 cents was taken off the price of the hog at some particular day in Chicago. Have you any law by which you could compel the purchaser to pay more than he did pay?

Mr. HALL. I do not think you could compel them to pay more, but I judge that, if collusion could be proven absolutely, it would be in restraint of trade.

Mr. STEELE. Considering they are the only buyers on the market, they are the men who handle all of this great commodity, and you have no law to put a man in the penitentiary for whispering, and you can not find any record, then how are you going to equalize these prices to the producer?

Mr. HALL. That is something that we have not solved as yet.

The CHAIRMAN. And when you find a solution of that question I want you to give it to the cotton growers of South Carolina.

(The committee thereupon, at 5.45 p. m., took a recess until Friday, February 11, at 10 o'clock a. m.)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Friday, February 11, 1916.

The committee met at 10 a. m., Hon. Asbury F. Lever (chairman) presiding.

The CHAIRMAN. Gentlemen, I want to say to the members of the committee especially this morning that the problem of farm distribution and farm finance ramifies in so many directions and involves so many problems that this committee could probably with profit spend the next six months in hearing these specialists along their particular lines, but it is absolutely necessary, if this appropriation bill is to be considered in the House in the next two months, that there shall be a termination some time shortly of these hearings. There is no intimation on my part or any suggestion made of unduly limiting the members of the committee in seeking information, but I do feel that we have given such a wide latitude here, that we have spent—and the chairman has been as guilty as any member of the committee—too much time in discussions across the table with each other, rather than giving the witnesses who come to tell us what they are doing an opportunity to do so. I want to make a personal appeal to the members of the committee to make their questions as brief as possible, and let them be so framed that they go to the meat of getting the information sought, so that we can limit in a way the time spent in these hearings. It will take at least a week after the hearings are closed and the testimony printed before the subcommittee will be

able to report back to the full committee its conclusions and probably another week before the full committee will be able to agree upon the bill. It will take the clerk of the committee and myself probably another week before the report on the bill can possibly be written after it is agreed upon. So that, unless we close these hearings soon, we will be here until the 1st of April before we get the bill on the floor of the House.

In the meantime, other committees are going to be reporting appropriation bills, and they will get the status upon the calendar away from us, and this bill will be waiting here until the 1st of May before we can get it considered on the floor of the House.

Now, I want to ask in all earnestness and sincerity that members get the information they wish of these gentlemen who are appearing before the committee in the quickest possible time. I want to ask the witnesses to brief up, as much as they can, their statements. It is impossible for this committee to know all of the details of the work you are trying to do. The best that we can do, and the best that any Member of Congress can do, is to get a rather comprehensive picture of what you are trying to do and a general idea of how you are trying to do it.

Now, with that statement, gentlemen, I hope we can proceed this morning as rapidly as possible. I see these charts on the wall, and they are exceedingly interesting. They have been worked out by Dr. Thompson, I presume, who is one of the bright economists of this country. I have some familiarity with them because they were brought to the attention of the joint committee on rural credits. These charts may open up the whole subject of rural credits. Now, this committee can not possibly go into that subject. We have not the time, in the first place, and, in the second place, we have not jurisdiction of the subject. I understand that the Banking and Currency Committee is practically ready to report a rural credits bill. So that, except for an explanation of these charts, I hope the members of the committee will confine themselves to getting that explanation in the briefest possible way and let us go on.

Mr. STEELE. And that they will not consume any more time on the subject of cotton.

The CHAIRMAN. I will say to the committee that, if gentlemen from other States who do not know cotton from jimson weed do not take up the time of the committee inquiring about cotton, so far as I am concerned, I will not ask a question about cotton except to get information that I think we ought to have. I think it will be agreed that most of the questions about cotton have been asked by those who know the least about it.

Now, Mr. Brand, you may proceed.

Mr. BRAND. We will continue the statement of Mr. Hall on the question of marketing of live stock and meats.

STATEMENT OF MR. LOUIS D. HALL, IN CHARGE OF THE MARKETING OF LIVE STOCK, MEATS, AND ANIMAL BY-PRODUCTS, OFFICE OF MARKETS AND RURAL ORGANIZATION—Continued.

Mr. HALL. I want to say that the work we have been doing with reference to the central markets is only a part of the general scheme of our work, and I would like as briefly as possible to cover a general

outline of our work and then go into the details on any phase that may be of particular interest to any of you.

Continuing what I said as to the central markets yesterday, I might summarize by saying that the principal points that we have discovered in our investigations so far upon which improvements in conditions at the central markets seem to be needed are, first, the matter of more competition, which was discussed yesterday. I think there is a wide difference of opinion as to the means of bringing this about. Second, more stable prices, and I suppose that the violent fluctuations of prices at the central markets are the most common cause of complaints that are coming to us from day to day, and for which there are various remedies that will in part help solve the difficulty.

There should be a better distribution of receipts of the different classes of stock throughout the season instead of there being a congestion of different classes of cattle—range stock, for instance—during a comparatively short season. Of course, there is a limitation as to the period over which they can be spread out. A good example of what can be done in that respect is the effort of the National Wool Growers' Association in bringing about early lambing throughout the Northwestern States, which means that the lambs begin coming on the market in June instead of August and September, as formerly, and spreads the marketing of lambs over five or six months instead of only two or three months.

The same thing applies to the distribution of receipts over the days of the week. Most of the markets, as the chart which I have here will indicate to the eye, are in this situation: Monday and Wednesday in Chicago represent 77 per cent of the receipts of the week, and that means a congestion in unloading and an impediment of business on the part of everybody concerned. To what extent it is possible to remedy that difficulty we are trying at present to determine. So far as we have studied it we find it is largely a matter between the railroads and the shippers.

Our Mr. White, who spoke to you yesterday, is working with the members of our project in trying to bring about a condition which will enable the railroads and the shippers to adjust the schedules of the stock trains so as to make it possible to get more cattle there on Tuesday and Thursday and relieve the congestion on Monday and Wednesday. Of course, we do not expect to bring about an equally distributed five-day market, but it looks possible to do a good deal along that line. At the conference in Chicago in November, at which representatives of all branches of the industry were present, it was agreed by everyone that it will be a splendid improvement if it can be brought about, and it was felt that it is practicable in part to bring it about.

Then there is a need of more uniform reports from the different stockyards. We are engaged at present in an effort to get monthly reports on a blank which we have supplied to some 35 or 38 markets, which I mentioned yesterday, and we find that the stockyards people are very courteous in cooperating with us in this matter.

Mr. RUBEY. Is that paper that you have a list of the questions that you send out?

Mr. HALL. No, sir; that is a list of items which we are personally following up in visiting these markets.

Mr. RUBEY. How much space would that table take up if it was printed in the record?

Mr. HALL. It occupies not more than two or three pages of printed matter. It is about a dozen pages of typewritten matter.

Mr. RUBEY. I would like to have that in the record.

The CHAIRMAN. Without objection, it will be inserted at the proper place.

(The tabular matter referred to follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE,

OFFICE OF MARKETS AND RURAL ORGANIZATION,

WASHINGTON, D. C.

STOCKYARDS INFORMATION.

1. Name:		Location.
President	-----	-----
Vice president	-----	-----
Secretary	-----	-----
Treasurer	-----	-----
Manager or superintendent	-----	-----
2. Formed under laws of	-----	-----
3. Capitalization	-----	-----
4. Ownership	-----	-----
5. Date established (brief early history)	-----	-----
6. Area containing buildings and pens	-----	-----
	Total area	-----
7. Number of pens:	Open.	Covered.
Cattle	-----	-----
Hogs	-----	-----
Sheep	-----	-----
Horses and mules	-----	-----
8. Stockyards tracks:		
Name of company operating	-----	-----
Formed under the laws of	-----	-----
Name of company owning	-----	-----
Formed under the laws of	-----	-----
Miles of terminal tracks	-----	-----
9. Unloading facilities:		
Number of single-deck chutes	-----	-----
Number of double-deck chutes	-----	-----
Number of dock pens	-----	-----
Loading facilities		
Number of single-deck chutes	-----	-----
Number of double-deck chutes	-----	-----
Number of dock pens	-----	-----
Chutes constructed for spotting cars of what length	-----	-----
10. Number of boat docks and facilities for moving stock by water: Lighterage charges	-----	-----
11. Daily capacity:		
Cattle	-----	-----
Hogs	-----	-----
Sheep	-----	-----
Horses and mules	-----	-----
Calves	-----	-----
12. Average daily receipts for 19—:		
Beef cattle and dairy cattle	-----	-----
Hogs	-----	-----
Sheep	-----	-----
Horses and mules	-----	-----
Calves	-----	-----

13. Territory receipts drawn from:
- Beef cattle _____
Hogs _____
Sheep _____
Horses and mules _____
Calves _____
Dairy cattle _____
Goats _____
Feeder cattle _____
14. Yearly movement of live stock, by months:
- Cattle (beef and dairy) _____
Hogs _____
Sheep _____
Horses and mules _____
Calves _____
Goats _____
15. Are weekly, monthly, and yearly statements published?
16. Get receipts and shipments, by months, as far back as possible (see attached sheets) _____
17. Annual receipts, by months (see attached sheets):
- Beef cattle _____
Hogs _____
Sheep _____
Horses _____
Calves _____
Dairy cattle _____
Goats _____
Mules _____
Feeder cattle _____
18. Annual shipments, by months. (Show destination, if possible.) (See attached sheets):
- Beef cattle _____
Hogs _____
Sheep _____
Horses _____
Calves _____
Dairy cattle _____
Goats _____
Mules _____
Feeder cattle _____
19. What kind of stock do you consider your specialty?
20. Market demands:
- Beef cattle _____
Hogs _____
Sheep _____
Horses _____
Calves _____
Dairy cattle _____
Goats _____
Mules _____
Feeder cattle _____
21. Market days for:
- Beef cattle _____
Hogs _____
Sheep _____
Horses and mules _____
Calves _____
Dairy cattle _____
Goats _____
Feeder cattle _____
22. Time market opens _____
Closes _____
Are these hours prescribed by the live-stock exchanges, yards, or by whom? _____
Can feeder stock be bought and sold before and after these hours? _____
23. Switching charges _____

24. Any unloading law? (similar to Nebraska's)

25. Yardage charges (per head and in carloads, mixed and straight):

	By rail.	Driven in.
Cattle-----	-----	-----
Hogs-----	-----	-----
Sheep-----	-----	-----
Horses and mules-----	-----	-----
Calves-----	-----	-----

26. Commission charges (per head and in carloads, mixed and straight. Also for handling stock for other commission firms and yards traders):

	Per head.	Straight carloads.
Cattle-----	-----	-----
Hogs-----	S. D.	D. D.
Sheep-----	S. D.	D. D.
Horses and mules-----	-----	-----
Calves-----	S. D.	D. D.
Dairy cattle-----	-----	-----
	Mixed carloads.	Yardmen's stock.
Cattle-----	-----	-----
Hogs-----	-----	-----
Sheep-----	-----	-----
Horses and mules-----	-----	-----
Calves-----	-----	-----
Dairy cattle-----	-----	-----

27. Insurance charge----- Paid to whom-----

28. Inspection charge:

Antemortem, other than for stags and piggy sows-----

Stags and piggy sows-----

29. Dockages for stags and piggy sows-----

30. Vaccinating charges-----

31. Dipping charges:

Number of sheep dipped per hour-----

Number of cattle dipped per hour-----

32. Shearing charges-----

33. Weighing charges-----

34. Are freight charges based on "filled" or "unfilled" stockyards weights?

When freight charges are based on "filled" weights, what shrinkages per car are used for:

Cattle-----	-----
Hogs-----	-----
Sheep-----	-----
Horses and mules-----	-----
Calves-----	-----

35. Railroad scales (answer where freight charges are made on track scales weights):

Ownership-----

Distance from yards-----

Description of equipment-----

36. Stockyards scales:

Number-----

When and how tested-----

37. Feed charges:

Corn-----

Oats-----

Wheat-----

Barley-----

Hay-----

Native-----

Timothy-----

Prairie-----

Clover-----

Alfalfa-----

Mixed-----

37. Feed charges—Continued.

Bedding—

Straw _____
 Sand _____
 Sawdust _____
 Shavings _____

38. Feeding en route:

Charges (itemize); are there yardage, switching, and insurance charges made against stock stopped en route for feed?

(Origin of shipments.)

(Destination of shipments.)

Name points at which shipments coming to your market from other markets are stopped and fed.

(From.)

(Points.)

39. Lumpy cattle:

Number received annually _____
 Prices paid _____
 Contract for sale made by whom _____
 To whom sold _____
 Usual amount received by shipper _____

40 "Crips":

Cattle. Hogs. Sheep. Calves.

Number received annually _____
 Prices paid _____
 Contract for sale made by whom _____
 To whom sold _____

41 Dead stock:

Cattle. Hogs. Sheep. H. & M. Calves.

Number received annually _____
 Prices paid _____
 Contract for sale made by whom _____
 To whom sold _____

42 Commission firms:

Number _____
 Names _____

43 Live Stock Exchange:

President _____
 Secretary _____
 Membership fee _____
 Rules _____
 Date of organization _____
 Bond required by stockyards company _____
 Must all stockholders of a firm be members _____

44. Speculators and traders:

Number permanently located at market _____
 Names _____

45. Traders' organization:

President _____
 Secretary _____
 Membership fee _____
 Rules _____
 Date of organization _____
 Bond required by stockyards company _____
 Must all stockholders of a firm be members _____

46. Feeder-cattle dealers:

Number permanently located at market _____
 Names _____

47. Brand inspectors:

Names.

States or associations represented.

48. Outside buyers:

Names.	Firms represented.
-----	-----

49. Per cent of yards' receipts sold through commission firms:

Beef cattle -----	
Hogs -----	
Sheep -----	
Horses and mules -----	
Calves -----	
Dairy cattle -----	

50. Shipments sent direct to packers:

Names of firms receiving -----	
--------------------------------	--

51. Per cent of yards' receipts shipped by local buyers, as distinguished from that consigned by stockmen:

Beef cattle -----	
Hogs -----	
Sheep -----	
Horses and mules -----	
Calves -----	
Dairy cattle -----	

52. Shipping stations:

Location.	Owned by.	Kind of stock shipped.
-----	-----	-----

53. Local slaughtering establishments:

Plants-----	Daily capacities:	Names of other markets at which buyers are located.
-----	Cattle. ----- Hogs. ----- Sheep. -----	-----

Carrying lots-----	Names.-----	Capacities.
-----	-----	-----

54. Live-stock market papers.

Finishing stations adjacent to market:	Location.	Manager's name.	Railroad on.
-----	-----	-----	-----

56. Names and addresses of stock yards in vicinity -----	
57. Names and addresses of cooperative shipping associations patronizing markets -----	

58. Names of live stock loan companies -----	
--	--

59. Railroads (entering city) -----	
-------------------------------------	--

60. Stock-train service -----	
-------------------------------	--

61. Must shipper buy and sell stock through commission companies: What are clearance charges if shipper does his own business -----	
---	--

62. Stock yards problems -----	
--------------------------------	--

63. Tanneries or hide companies:	Names.-----	Location.-----	Ownership and officers.
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64. Rendering companies:	Names.-----	Location.-----	Ownership and officers.
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65. Serum companies:	Names.-----	Location.-----	Ownership and officers.
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66. Banks:	Names.-----	Location.-----	Ownership and officers.
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Mr. HALL. I have samples of the blanks of which I spoke just now and which we are sending out, which I shall be glad to show you,

together with the blanks on which we are entering up this information from month to month. In the course of time we will get it perfected and send it out as a monthly news service along the same line that was mentioned yesterday for perishable crops. We think that the stockmen need a good deal of information which is now available only to people at the markets and that, if that can be done, it will bring about a more intelligent and evenly distributed marketing of stock, to some extent at least.

Mr. STEELE. Your project covers the live-stock industry, does it not?

Mr. HALL. Our project is entitled "The marketing of live stock, meat, and animal by-products."

Mr. STEELE. I will have to ask the chairman that your discussion be kept in line with that work.

Mr. HALL. I might say that we are cooperating with the Bureau of Crop Estimates in that matter, which is more or less statistical, but it ought to be taken up from the standpoint of the stockmen and those who are familiar with the live-stock business.

The CHAIRMAN. You say that on certain days of the week your blanks so far show that the stockyards are glutted and overcrowded?

Mr. HALL. Yes, sir.

The CHAIRMAN. Due to—I do not know what, and I do not know that you know what.

Mr. HALL. It is due to a variety of causes.

The CHAIRMAN. Yes; to a variety of causes.

Mr. HALL. And that is what we want to study.

The CHAIRMAN. Now, what you are driving at is to try to draw a definite conclusion as to the cause and then try to work a remedy for the situation?

Mr. HALL. Yes; but what I was saying a moment ago deals with another subject.

Mr. STEELE. At the proper time I want to ask if the live-stock exchanges and commission men have not been working on that problem for 30 or 35 years?

Mr. HALL. Yes, sir.

Mr. STEELE. And they can not change it?

Mr. HALL. You are speaking of the five-day market proposition?

Mr. STEELE. Yes; Monday and Wednesday. The glut is on Monday and Wednesday, is it not?

Mr. HALL. Yes. There have been several very carefully laid attempts made to improve the conditions, but they have failed.

Mr. STEELE. Now, the condition is this, as I understand it: The eastern buyers go to the western markets to buy their fat cattle. They want to buy them on Monday and Wednesday. They do not want to buy them on Thursday; consequently the farmer knows that he is not in competition unless he is on the Monday market or on the Wednesday market; and the fact seems to be that it is to their interest that these eastern buyers should go to these particular markets on these particular days.

Mr. HALL. At our conference in Chicago the eastern buyers told us that they could buy just as well on other days of the week but that the present custom is a relic of the old days when the export boats left on certain week days and when the New York trade was consum-

ing a much larger number of live cattle. It seems that they are buying now principally on two days a week because the cattle are there, but they would buy the cattle on other days if they were there.

The CHAIRMAN. It is a trade custom?

Mr. HALL. Yes; it is a trade custom which could be broken up, according to the contention of a great many well-informed men. The highest officials of the live-stock exchanges at present, and other officials, the stockyard companies, and the buying interests, have expressed an earnest desire to cooperate with us, and they have expressed the belief that through the efforts of a disinterested agency, such as the Department of Agriculture, it may be possible to bring the matter to a head, whereas it has not been possible to do so through the efforts of those immediately concerned. As I say, we have not yet fully determined to what extent that is possible, but it is one of the lines on which we are working at the present time.

The monthly report that I was speaking of, we think, will be of particular value with respect to the shipment of stockers and feeders from the markets to the country from month to month, especially during the summer and fall season. We hope in time, possibly within the next year, to develop a monthly report of fat stock on hand in the different sections, both on feed and on grass, and if that proves as practicable as we believe it will (and I might say we have consulted with the representatives of the trade carefully in these matters), we hope that will eventually make it possible, and within a very short time, too, to issue periodical reports of the supply of feeders in the different sections where they are purchased, so that the stockmen in the corn belt and elsewhere will be more fully informed as to just where they can go to get the feeders they want or to just what markets they can go to secure the grades of cattle they want.

In that connection, a line of work that has been undertaken in conjunction with the work of Mr. White, who spoke before the committee yesterday, is a complete study of the volume of shipments from the different live-stock shipping points in the United States—down to probably 20 cars a year. The railroads are being solicited to furnish us this information just as they have been as to the number of cars of strawberries, peaches, cantaloupes, and so on. There has never been a complete study of that kind made, and, until we know exactly where the principal live-stock shipping districts are located—that is, for cattle, sheep, and hogs—we will not be fully informed as to where the vital needs exist for some of the lines of work that need to be done—the working out of shrinkage in transit, minimum carload weights, the feeding-in-transit stations, and so forth.

Mr. STEELE. The weight in transit is established by the railroad company?

Mr. HALL. The system has grown up "like Topsy." The minimum weights vary in every section.

Mr. STEELE. But the Interstate Commerce Commission gives the minimum and the maximum, does it not?

Mr. HALL. As I understand it, it must be approved by the Interstate Commerce Commission.

Mr. STEELE. What is the weight of a carload of cattle?

Mr. HALL. Twenty thousand pounds in some sections, but it varies in different sections. On cattle it varies from 19,000 to 26,000 pounds in different classifications.

Mr. STEELE. Nineteen thousand pounds is a short car; 26,000 is what?

Mr. HALL. Nothing regular, but 22,000 is the usual weight.

Mr. STEELE. Twenty-two thousand five hundred pounds?

Mr. HALL. That varies in the several classifications.

Mr. STEELE. But my understanding is that certain lengths of cars have a certain minimum?

Mr. HALL. No, sir; that varies in different sections of the country. There is a great need of uniformity along that line. Take the case of lambs. When we were investigating the marketing of live stock in Colorado and Wyoming we found that the minimum was 22,000 pounds, I think, on a double-deck car of lambs. It varies from 10,000 to 16,000 on single-deck cars and from 19,000 to 26,000 on double-deck cars, varying with the length of the car, etc. But it is the uniform testimony of sheepmen in the West that they can not possibly load a carload of lambs up to a minimum weight because those minimum weights are on the basis of sheep and not on the basis of lambs. Consequently, on every carload of lambs that comes in there are several dollars in freight, over the actual weight hauled, to pay. In the South, to a large extent, the rates are based on an amount per car. That encourages overloading and increases the amount of damage and loss in transit. It would take a long time and it will take the cooperation of many of those interests to bring about much improvement on that point; but that is all the more reason why some beginning should be made with it, and on that point, so far, we have only made a beginning.

Mr. STEELE. Now, as to distributing these fat cattle that you speak about on the market at later periods, I would like you to tell me how you are going to do that?

Mr. HALL. We think that will be a very slow process but that by gradually placing ourselves in a position to publish monthly or possibly semimonthly or quarterly reports—we do not know just yet how often it may be practicable to publish those—

Mr. STEELE (interposing). Now, you understand that I am talking particularly about Iowa, Missouri, Nebraska, and South Dakota—the feeding districts where they raise corn. They do not raise cattle because their farms are not large enough. They have got to raise a corn crop and then go into the cattle-raising districts and buy their cattle and put them in, and they put them in along about the 1st of October or the 1st of November. Now, the profitable feeding life of a steer is from four to five months.

Mr. HALL. Yes.

Mr. STEELE. Now, if that entire territory has consumed all of the range cattle—the feeding types to put into the yards—they must turn those cattle in in February and March.

Mr. HALL. Yes.

Mr. STEELE. Now, how is it possible for you to tell me as a farmer who is consuming my feed (and my gains are only about 2 pounds during February) that I can go and buy 50-cent or 60-cent corn and make it profitable for me to continue that feed for 30, 60, or 90 days longer? How do you figure but that I am losing money? Consequently, not having the money and not having the desire to go to the bank and borrow more money to feed my cattle or buy this corn

that is necessary for me to protect whatever little profit I already have, I must ship my cattle in January and February, when these fat-cattle floods come, and it is impossible to change them. We farmers have been trying to get away from that by the summer feed, but the great bulk of these western cattle are fed four or five months, four months being the average, from October and November, and shipped February and March, which is the fat-cattle flood tide on the markets. For instance, you buy a load of cattle at \$6 a hundred on the market and you ship them to your farm. It takes 10 or 15 cents freight and then you put 50-cent corn in them. Really to make any profit you ought to sell for 8 cents a pound, but, if you only get 7 cents at the market and your steer weighs a thousand pounds, you have \$10 profit to start with, which is not enough for the farmer to make a living profit. Now, under those circumstances, when you have to ship the cattle, I do not see how this Government or the Kaiser of Germany could change the flood of cattle at this particular season.

The CHAIRMAN. Ever since I was born, and long before that—before my daddy or his daddy were born—the people of the South have been in the very same condition with reference to cotton that you describe as existing in the cattle business. We have sold the bulk of our cotton crop from the 15th of September to the 15th of January. We have been doing that ever since the first seed was planted in the South, with the result that many of us have "busted" and gone poverty stricken in that country, and never until the last three or four years did the producers wake up to the fact that that system could be changed if they could get cheap money. Therefore, many of the States in the South are adopting State warehouse systems whereby they can use these warehouses and borrow cheap money to prevent the situation you describe. Now, if we can do that we can lengthen the period very much for handling our cotton. It may be that in a thorough investigation of the subject somebody will discover a method of working out that problem.

Mr. STEELE. But you can not take a load of cattle and put them in a hay barn and not feed them.

The CHAIRMAN. That is very true. I appreciate the difference; but I say, with respect to cotton, which is such a nonperishable thing, that it was marketed for about 200 years before anybody discovered that it was nonperishable.

Mr. STEELE. But you can put it on the shelves, and it will not decrease.

Mr. HALL. May I say that the Corn Belt Meat Producers' Association, which is virtually an Iowa cattle feeders' association, is working with us on this proposition, and the president and executive committee of that association have expressed the belief that that could be done. They admit that it is a hard proposition, but as an old—I do not believe I could make you believe that I am an old feeder—but as a former cattle feeder in Iowa—

Mr. STEELE (interposing). Yes; old cattle feeder.

Mr. HALL. I understand that it will be difficult to bring that condition about to a great extent, but what the lamb feeders have done in the Northwest is an illustration of what can be done. It occurs to me also that in the tobacco district in Lancaster County, Pa., they

buy fifty to seventy-five thousand cattle a year, and they are not so limited as the corn-belt feeders think they are as to the particular time when they must get their cattle and the particular time when they have to sell them. There is room for some shifting of dates in that feeding system in Lancaster County, Pa., and perhaps in some of the districts of the South in cottonseed-meal feeding areas.

Another thing on that point is this: A great many cattle feeders need to know more about certain times in the year when certain grades of feeder cattle should be bought, when they are best worth the money, and the time of the year when certain grades of fat cattle can be sold to best advantage.

I find in going through Iowa and other States, and especially in Illinois, where I was familiar with the situation for a number of years, that some men will buy the best grades of feeding cattle in September and October and feed them for the spring market, apparently not considering at all that they are marketing their cattle at a time when those grades are least in demand; and others are feeding common cattle for the fall market, forgetting that that is the time when grass beef comes on the market, to compete with grain-fed beef of plain quality. By getting that information into such form that a man can not help seeing it, while we realize that it will be a long time before it can be done, we know that a great deal can be accomplished through this periodical market reporting. If we could convert the feeders along this line it would overcome a great many of their difficulties.

Mr. HELGESEN. Have you worked out any definite plan to convert them to? You speak about converting them. Have you any definite plan to hold out to them to convert them to?

Mr. HALL. That part seems very simple. What we want is more general distribution of receipts. We are going to cooperate, and we are now cooperating, with State associations such as the Iowa Feeders' Association and the Corn Belt Meat Producers' Association—

Mr. HELGESEN. If you spread out the marketing of cattle over the 12 months of the year it would be an ideal system, but how are you going to accomplish that?

Mr. HALL. We do not expect to do that completely, sir, but by encouraging the feeding of more cattle on grass in districts where that is possible and profitable—by going into such a district as Lancaster County, Pa., and endeavoring in the first place to determine just what is practicable as to a change in the time of feeding, and in other districts, we believe that gradual progress can be made.

Mr. HELGESEN. How many large cattle markets are there?

Mr. HALL. We usually speak of 12 or 15 big markets—Chicago and the Missouri River markets and three or four more that are known as principal markets. I said yesterday, when you were not present, sir, that there are about 35 or 36 central markets in this country to which you can consign stock and sell it on commission.

Mr. HELGESEN. Do you not find a situation frequently where one market may be flooded with cattle and the other markets be short?

Mr. HALL. That is frequently the case. It is not so frequent and noticeable as in the case of perishable products like strawberries, but it is true to a large extent.

Mr. HELGESEN. But the way in which it has been worked out in the West on other lines is by not permitting goods to go to a market when the flood time comes and by distributing the goods where the market is short. I think that something like that may be done with cattle.

Mr. HALL. We have thought that at some time it might be desirable to have a Federal representative at the principal markets through whom this news might be gathered and centralized for distribution.

Mr. STEELE. Do you not suppose that the cattlemen know these conditions just as well as a representative sent out by this Government—as to just where he can sell his cattle?

Mr. HALL. Most of the experienced cattlemen do, Mr. Steele, but a great many of the younger men, the beginners in the cattle business, are demanding information along this line, and we are getting the information they want so that it can be properly distributed. There is a good deal that we can not give them fully as yet, and we feel that it is the duty of the Government to prepare to help them as far as possible.

Mr. STEELE. For instance, Clay, Robinson & Co. are the largest loaners of money upon range cattle in the world. Do you suppose the Government could send a man to any one of these markets and direct any portion of the shipment of those cattle?

Mr. HALL. Not at the present time. I do not think that would be possible now.

Mr. STEELE. Do you not suppose that they know and that it is their desire to get the best price for their cattle that they can get for their customers and to send them to the proper market?

Mr. HALL. The situation on that point is just as was brought out yesterday in connection with the distribution of fruit. Each agent concerned is doing the very best he can, and some have developed a very high degree of efficiency, but there are many points on which they are not getting together as they should. There are points on which the stockman does not understand the commission man, and the stockyard people and the packers—

Mr. STEELE (interposing). Oh, the stockmen understand their commission men very well.

Mr. HALL. I appreciate that.

Mr. STEELE. They understand their commission men very well, just the same as a client understands his legal adviser.

Mr. HALL. I am speaking of them as a body. There is no provision for general cooperation. There is most excellent cooperation in individual cases.

Mr. STEELE. There is absolute cooperation.

Mr. HALL. But I am speaking about the cooperation that is necessary to bring about a change in these general tendencies, which we can see from the chart are wrong and which no one man and no one firm or association of men can change very much but which it is necessary to correlate and bring together in a large way. It means time and slow progress in some particulars.

Mr. HELGESEN. I think Mr. Steele's trouble is that he judges the majority by a few large intelligent shippers, whereas there are a great many small shippers who combine to make a large carload shipment and who know very little about it.

Mr. STEELE. That is true. They put these cattle on the cars, and there will be several colors of paint on them, and they will be sold—

Mr. HELGESEN (interposing). Oh, but you are talking about marketing conditions, and they do not know anything about that at all.

The CHAIRMAN. All right, Mr. Hall, proceed.

Mr. HALL. There are a number of matters that I might class under the head of abuses which stockmen generally are complaining to us about, both individually and through their associations. The marketing committee of the American National Live Stock Association reported last year that the most important problem confronting stockmen at the present time is the stockyard problem, the conditions at the stockyards, and they enumerated a number of conditions adverse to the interests of the stockmen which demand to be remedied. They have asked the cooperation of the Department of Agriculture on some of those matters, and so far as it is consistent we feel that such an association as the American National Live Stock Association, the Corn Belt Meat Producers' Association, and other representative associations of live-stock men are entitled to such cooperation as we are in a position to give them.

In matters of market service, discriminations, and unfair practices which deprive the shipper of stock of a fair return on the animals he has shipped to the markets, we believe that we ought to get complete information in order that the facts may be furnished to the shippers of stock for their benefit.

Mr. STEELE. You speak about abuses. Name some of those abuses.

Mr. HALL. The discriminations against stock that is forwarded from one market to another is a good example of that. I might say that in conference with the buying interests they admitted that there has been abuse, and recently some of the interested parties have expressed their intention to correct that matter just as far as they are in a position to do so.

Mr. STEELE. There is a question I would like to have you solve. For instance, Helgesen ships a load of cattle to Sioux City. He is not satisfied with the price offered. He forwards them to Chicago and loses money. Now, can you tell me why?

Mr. HALL. In some cases it has been declared, and it is in the official record mentioned here, that that is because the bid on those cattle at the first market has been wired to the second market, and that the stock has been discriminated against on that ground, not only in one case but in hundreds of cases which have been reported to us but of which, I may say, we have not personal eye and ear knowledge. However, it is on record unquestionably, and the records will bear out the statement. There is no question but that there have been abuses; the buying interests themselves have recently admitted that, and they expressed a willingness to better conditions as far as they could.

Mr. STEELE. What buying interests?

Mr. HALL. The buying interests at some of the principal stockyards. I do not know whether it would be proper for me to name them.

Mr. STEELE. Well, say he ships his cattle to me and I offer his cattle for sale. He is not satisfied and says, "I am going to Chicago with these cattle. I know they are worth more money." And I say, "Now, Helgesen, I believe you are making a mistake." He

says, "No; I am going to Chicago." So he goes to Chicago and sells his cattle, and it brings him less money than he would have gotten at Sioux City. Now, can you tell me why?

Mr. HALL. I tried to answer that a moment ago by saying that in many cases the bid is wired to the second market.

Mr. STEELE. Is it not a matter of fact that when he ships to Sioux City he ships to Chicago and if he ships to Omaha he ships to Chicago? Is it not a matter of fact that if he ships to Kansas City he also ships to Chicago?

Mr. HALL. If I get your point, it is virtually so, because he is selling to the same buying interests.

Mr. STEELE. Yes, sir. You have got the Big Four, or Five, or Six, or Seven. He bids on your cattle in Sioux City. He has got a packing house, and it may be necessary that he should put a million dollars in his packing house there. He has his packers and butchers there. Now, if Helgesen went to Chicago and made money, what would be the result? He would go home and tell his neighbors—and he has important neighbors there—"Now, boys, don't ship to Sioux City. I was offered so much for my cattle at Sioux City, but I went to Chicago and made \$100 or \$150 by going there." What would be the result? Everybody in his neighborhood would go ahead and do the same thing, and the first thing you knew the packing house at Sioux City would have a dearth of fat cattle. Consequently they nip him when he goes to Chicago and make him sell to the market nearest him. I have been fighting that proposition for 35 years, and I want to state that they are the hardest bunch of fellows to go up against that you ever heard of.

Mr. REILLY. Assuming that they pay the same price for beef at Chicago that they pay at Sioux City, should not he lose that?

Mr. STEELE. Yes.

Mr. REILLY. Because the economies of the situation are that he should sell at Sioux City?

Mr. STEELE. Yes; but commission men must not tell him where to go.

Mr. HALL. If the great live-stock markets of the country were open markets in every sense, it ought not to make any difference where the cattle have been two or three days before, but they should be sold at their value on the market to which they are consigned, and that has been admitted by everyone concerned. We believe that that is an abuse that will be remedied.

Mr. RUBEY. That whole trouble is because the same concern controls the market in all these places.

Mr. STEELE. That is it.

Mr. RUBEY. And when you go to Chicago, Kansas City, Omaha, or anywhere else, you are selling to the same concern.

The CHAIRMAN. If it is in restraint of trade, the Department of Justice ought to get busy.

Mr. HAUGEN. I understood you to say in the opening of your remarks that you have given but very little attention to the operation of the stockyards. You have referred to certain things as improper practices, but you are not familiar with the operation of the stockyards.

Mr. HALL. I did not mean to say that.

Mr. HAUGEN. I understood you to say that the Secretary had mapped out this plan and that you followed that plan.

Mr. HALL. I said that the work we did in tracing those shipments of cattle was carried on in connection with a special phase of work for a certain committee called the committee on the meat situation. That was only a part of our work, but I want to say that we are familiar with the conditions in these stockyards, although we have not any authority to go in and secure evidence on some of these matters that have been mentioned.

Mr. HAUGEN. But you have the authority to investigate and to go into the stockyards?

Mr. HALL. Yes; in that way.

Mr. HAUGEN. What is going on over there? What have you discovered? What can you tell us about these combinations in the stockyards? How is stock sold and bought? Is stock being divided? What is the practice?

Mr. HALL. As I said, in the matter of split buying, the most that we have on that is the testimony that was given at our hearing in Chicago in November, and we consider that very valuable. Now, we have been in the stockyards—

Mr. HAUGEN (interposing). You could not spend an evening in the stockyards without learning some of these things, because no man can stop in there for half an hour without understanding something that is going on. I would like to have you put in the record exactly what you discovered and what information you can give the people. You have spoken about certain organizations that are doing certain work along certain lines, and we have appropriated certain money for the purpose of supplying people with information. Now, can you give us a statement and have it put in the record that will be of some value and contain some information? You have talked about rounding up cattle in Montana and other States. That is very interesting, but I take it the cowboys can handle that situation.

Mr. HALL. Certainly.

Mr. HAUGEN. What we are interested in is the operation of the stockyards.

The CHAIRMAN. Let me make a suggestion: Let Mr. Brand describe to the committee, a little bit more fully than Mr. Hall has, just the operation of these things. My understanding is that some years ago the Secretary of Agriculture appointed a committee consisting of representatives of a number of bureaus in the department to make a thorough and systematic study of the meat-marketing industry with the view of getting the facts, and Mr. Hall is really only a part of the chain in that development. Now, suppose you put into the record, Mr. Brand, just what facts you have in regard to this question.

Mr. BRAND. A committee on the economics of the meat situation was appointed, consisting of the Assistant Secretary at that time, Dr. Galloway; Prof. Mumford, of Illinois, whose assistant Mr. Hall was for 10 years; Prof. Curtis, of Iowa; Dr. Carver, professor of economics at Harvard University and a foremost authority on agricultural economics in the country; and one or two other men, including Dr. Waters, the president of the Kansas Agricultural College, and Dr. Melvin, chief of the Bureau of Animal Industry.

Mr. RUBEY. When was that committee appointed?

Mr. BRAND. In the late autumn of 1913. It was appointed shortly after the new Secretary of Agriculture came in, and it actually got to work in the spring of 1914. The committee prepared a plan of work for the investigation of this whole broad subject, and the different lines were assigned to the different bureaus of the department. The questions of grazing were assigned to the Forest Service; the questions of production were assigned to the Bureau of Animal Industry; other phases were assigned to the Bureau of Plant Industry, such as the production of new field crops which might make a change in the location of production areas; and the marketing and distribution of live stock and meat products were assigned to the Office of Markets and Rural Organization.

That work has included the tracing of every possible product, including the live stock, the hides, the meat itself, and all of the other products from the range, if it was range cattle, and from the feed lots if it was feeder cattle, through to the consumer. We have followed those and determined the cost all along the line, and every process has been followed most carefully and accurately. The packers have opened their books to us and have given us their figures. They are generous with their figures if they are not generous on other things. That includes men like Mr. Whittemore, one of the largest feed-lot men in the West. They have given us very complete figures, and we have records of all the facts in connection with that investigation.

In the same connection we have visited all of the most important stockyards. Our men have spent considerable time in this work, getting on the horses in the morning and staying on them until the run is completed, and they are thoroughly familiar with what happens down to the time the serum is gotten from the by-product of the blood.

I do not see how we could possibly give all the details of the results of our investigation before the committee, but we conducted a hearing at which 130 of the most important men in the live-stock industry in the United States paid the Department of Agriculture the courtesy to be present, and they went over the whole situation from all points of view. I conducted that hearing personally for two days, and it is the first time in the history of these industries that they have gotten together and brought out and laid on the table all the troubles and difficulties that are confronting them. There were at that hearing live-stock men from Chicago, Kansas City, Sioux City, Denver, and other important centers, and we have a complete record of the proceedings of that meeting and of the problems that were discussed in each of these different departments of the industry, including the producers. The American National Live-Stock Association was represented by its president and secretary and its marketing committee. We have a complete record of the proceedings covering all the various problems of the live-stock industry, such as feeding problems and the ranging problems of the West and Middle West. I can not give the details as well as Mr. Hall can. I am familiar with the general problem through my own study of the situation and conditions.

The CHAIRMAN. Has this committee appointed by the Secretary, having gathered this information and having it in its hands, put it in such shape that it would be accessible?

Mr. BRAND. Mr. Chairman, on Monday last a meeting of the men who have done the actual work on that report was held, and they are preparing that report now.

Mr. RUBEY. That report will be published?

Mr. BRAND. Yes, sir; and we have a complete record of the Chicago meeting. It contains most valuable information on the live-stock industry, and we think it ought to be printed. Our printing funds are low and we are going to ask the chairman if we can have it printed as a document of the House in order that it may be available to those to whom it would be useful. We have hundreds of requests from all over the country for that report. Every man who was personally present at that meeting, and that includes some of the big railroad men as well as the packing-house men who were represented by counsel in some cases, are very much interested in it, and a great many people desire to have this report. In my judgment it would not make over 125 pages.

Mr. HAUGEN. This is the second day that an effort has been made and a good deal of time has been spent trying to get some information as to the operation of the stockyards. When we get to asking questions about the stockyards we get a long interesting speech, very interesting, indeed, but what we are concerned about more than that is the operation of these stockyards. Now, Mr. Chairman, when we ask for certain information we find that it belongs over in some other bureau or some other division, and we have speeches that do not throw any light on it but only serve to fill up several hundred pages of record.

The CHAIRMAN. There may be a difference of opinion when that matter comes out. You might not think it is information, but Mr. Steele may think it is information.

Mr. HAUGEN. I take it that when Mr. Steele or any other member of this committee asks a question he desires information upon that particular question, and for that reason I am trying to find out something about the operation of the stockyards. We started yesterday afternoon on this same question.

Mr. BRAND. I suggest that we have Prof. Hall tell something of the investigations that we have made of the dead-stock abuse and the rendering-plant conditions.

Mr. STEELE. I do not want you to get away from the point that a man has got a shipment here and a certain shrinkage. Now, I want you to tell me how you are going to avoid that shrinkage?

The CHAIRMAN. Now, Mr. Haugen asks one question and you are asking another.

Mr. HAUGEN. No: that is exactly the same thing.

The CHAIRMAN. Then, Mr. Steele, put your question now.

Mr. STEELE. As I understand it, he has made 12 shipments and he has followed these cattle until they are sold. Now, when they are sold and the shipper has got his bill of sale and taken out his freight, his hay, his yardage, his commissions, and he has the balance and has gone home, he finds that he has had a certain shrinkage from these several shipments. I want to know what information in a bulletin you can give me that will be of benefit to me next year in reducing my shrinkage?

Mr. HALL. That is a big problem in itself, and we propose to make special investigations of shrinkage. One bulletin has been published by the department on the subject of shrinkage in transit.

Mr. STEELE. Oh, you can publish bulletins, but how am I going to get away from shrinkage? For 35 years my cattle have averaged from 60 to 90 pounds shrinkage shipped from the range to the market, and I have never been able to reduce the shrinkage.

Mr. HALL. Many of the best stockmen have reduced their shrinkage to a minimum, but what we want is to put that information before stockmen generally.

Mr. STEELE. After knowing these facts, what information can you give me that will be of use to me next year?

Mr. HALL. In the case of an experienced man like Mr. Steele, probably it would be impossible to give him any information that would reduce his shrinkage materially, but if he could load—

Mr. STEELE (interposing). Oh, he knows he has got to load 22,500 pounds.

Mr. HALL. But when we see a carload of hogs coming into Chicago with anywhere from 1 to 20 dead hogs—

Mr. STEELE (interposing). Well, let us get away from the hog situation.

Mr. HALL. The same thing applies to the marketing of cattle.

Mr. STEELE. What about these cattle?

Mr. HAUGEN. Well, shrinkage first.

Mr. STEELE. The shrinkage is gone.

Mr. HALL. Of course, the shrinkage depends upon the amount of fill that the cattle take on in the stockyards.

Mr. STEELE. But how are you going to change that?

Mr. HALL. I do not know that that has been reduced to a science.

Mr. OVERMYER. Perhaps the length of shipment would have something to do with it?

Mr. STEELE. Unquestionably.

Mr. HALL. My observation is that a good many stockmen do not pay much attention to the methods of feeding their cattle before they are loaded. If they would feed them properly—if they would water them, and then give them a feed of oats before they put them on the cars, they would have a whole lot less shrinkage than when they feed them first and water on top of that.

Mr. STEELE. A good many shippers ship to Sioux City and get an enormous fill, and the next time they come they take off enough so that the shipper does not get any advantage of his fill.

Mr. HALL. That is another illustration—

Mr. STEELE (interposing). They took the oats out.

Mr. HALL. That is another feature of the shrinkage question. We do not believe in encouraging abnormal fills.

Mr. STEELE. Now, you trace these 12 cattle shipments out, and what is the situation?

Mr. BRAND. Mr. Steele, we have a voluminous record about the fill. I do not know what the practice would be, but I think it would be proper for me to loan that record to you.

Mr. STEELE. If the information that you are going to give me on the first shipment is of no benefit, if any information that you can give does not benefit this fellow or that fellow in regards to shrink-

age, I think you are spending this money for which you are asking an increase of \$351,000 without any benefit.

Mr. BRAND. Mr. Steele, it is agreed by all of the people in the industry, and they agree to it very seriously, that the Department of Agriculture is in a position to render an unusual service to these gentlemen because their conflict of interests makes it impossible for them to get together on many points which they individually agree they ought to get together on. They agree that a neutral body such as the Department of Agriculture can serve them to great advantage in handling these problems, which involve giving away business secrets to each other and which they are perfectly willing to trust to the Department of Agriculture. They are fully agreed that these lines of work can produce very great benefits to them, and we have fully agreed that the men who are working on this matter are practical live-stock men.

Mr. STEELE. I will admit that there are certain benefits that you can give, but this is what I want to find out: You can not benefit the range cattleman by telling him how to ship his cattle, because he knows how, and he has got a certain shrinkage—

Mr. BRAND (interposing). The two largest live-stock shippers in the United States think that we can help them. We must give some credence to what they think, because they have gone over all of our plans and assisted us in drawing them. I think the point is that you do not realize that this is new work that we are just developing. It is in its infancy, and many of the points that you have in mind can only be worked out as many other agricultural problems have been worked out—by years of patient investigation and scientific study. We did not cure pear blight without 20 years of patient investigation, and so with other agricultural problems. We have economic diseases that are just as real as plant diseases and animal diseases, and it is going to take time to work out these matters. I think a large part of Mr. Steele's questioning is due to the fact that he has not realized that this is a very new work and that we are only beginning to secure information that will lead to the improvement of conditions which are the subject of investigation by this branch of the department.

The CHAIRMAN. I tried to bring out that fact yesterday—that this is a brand-new departure in governmental work, that this office is only three years old, and that it started with small appropriations. If this committee had taken the advice of certain farm organizations in this country, we would have appropriated something like \$10,000,000 in one bill to provide an agricultural system which this committee had worked out, without any information at all, and placed it upon the country as you would place a lid upon a bucket. But this committee, in its wisdom, thought no system of agriculture could be worked out except upon careful ascertaining of fundamental facts, and that the first duty and the first big purpose was to ascertain the facts. Now, these gentlemen have been trying to ascertain the facts for about two years, I think, and undoubtedly what Mr. Brand says in reference to some of Mr. Steele's questions is true—that the facts have not all been gathered. It is a question of getting the facts now, and all the facts have not been had. When the facts have all been had, it may be that some committee—I do not know whether I will be the

chairman of it or even whether I will be on it—will take up the matter of marketing and distribution of farm products.

Mr. HALL. I would like to answer Mr. Steele's questions about shrinkage by saying that there is a great mass of information on that subject that has been obtained by the experiment stations all over the country. That is on record. They found, for instance, that if you are feeding clover hay to the cattle you must take the clover hay away for a day or two before shipping and feed them timothy, wheat straw, or some feed like that. The same applies to these patent antishrink medicines, which are not to be advised because the buyer is going to discount cattle that show an abnormal fill. In answer to Mr. Haugen, I would like to say that we have done a good deal more than cooperate with the associations of stockmen. Much of this information that I am trying to give is based upon the points that we have determined as a result of these typical shipments that we have traced through and also other investigations that we have made ourselves in the stockyards, and, as a result of our consultation with the most practical stockmen that we can find, we propose to continue this first-hand inquiry along the line that it seems most needed.

Mr. HAUGEN. I wish to congratulate the gentleman on returning to the subject. We have had two or three most excellent speeches intervening. Now, if we may get back to this fill proposition, I want to know something about that. You say you have given this matter of fill some consideration and investigation?

Mr. HALL. I said a lot of information had been obtained by the experiment stations all over the country.

Mr. HAUGEN. Now, what about the fill? Here is a man who feeds oats, dry hay, salt, and a lot of water to his stock. Now, what becomes of that?

Mr. HALL. I will say that we have had complaints about the scale weights in the stockyards.

Mr. HAUGEN. Cattle are fed on dry hay, and that means that they will take a lot of water after they get to Kansas City or Chicago. The commission man does his part; the cattle are watered before they are sold. The cattle now have a good fill. How does that affect the selling price?

Mr. HALL. The greater the fill the less the selling price.

Mr. HAUGEN. Can you state that as a positive fact?

Mr. HALL. As a general rule, that has been my observation.

Mr. HAUGEN. Now, what next? Where do they hold up the farmer or the shipper next? If you follow these cattle to the scale, what becomes of them?

Mr. HALL. What becomes of the cattle?

Mr. HAUGEN. Of what value is this fill that we are speaking of now?

Mr. HALL. That depends on how soon the cattle are weighed after they are sold. It takes two hours to get them to the scale sometimes, and in that case the fill is in large part lost by the time they get to the scale.

Mr. HAUGEN. You have kept track of them from the pen to the scale?

Mr. HALL. It varies tremendously.

Mr. HAUGEN. What is the general practice?

Mr. HALL. The cattle are generally started to the scale as soon as they are sold. It may take 20 minutes or a half hour, and in Chicago at present it is likely to take an hour.

Mr. HAUGEN. How many get over the scale in 20 minutes?

Mr. HALL. Very few.

Mr. HAUGEN. How many get over in an hour or two hours?

Mr. HALL. I can not give you the exact information, Mr. Haugen. I say it varies a great deal.

Mr. HAUGEN. You can not help but know what the practice is, anyway. If you have investigated it, you must have some information. What is the time from the pen to the scale?

Mr. HALL. In Chicago?

Mr. HAUGEN. In Chicago, St. Louis, St. Paul, Kansas City, or any other big city. We know that every hour or every minute means shrinkage. Have you investigated as to the time required from the pen to the scale and what the shrinkage is from the pen to the scale?

Mr. HALL. No, sir.

Mr. HAUGEN. Don't you think that is very important?

Mr. HALL. In order to investigate the shrinkage of cattle from the pen to the scale you would have to have a scale at the cattle pens.

Mr. HAUGEN. But you could make an estimate if you had the time?

Mr. HALL. We have some figures on the time. Here are a few specific instances: Time occupied in driving cattle from sale pens to scales at Union Stock Yards, Chicago, Monday, June 15, 1914, 40 minutes; Monday, April 6, 1914, 40 minutes; Monday, April 6, 1914, 43 minutes.

That particular investigation was made outside of the department. Mr. Simpson, who is now with us, followed a number of shipments through the Chicago stockyards with the time element particularly in mind. That information was obtained before he joined our staff. It is the only official information of that kind I know of that has ever been obtained by a disinterested party. I should estimate, Mr. Haugen, that under normal conditions in the Chicago stockyards, considering pens an average distance from the scale, that it takes from 30 minutes to three-quarters of an hour, or possibly more, on an average, to get the cattle from the pen to the scale. On Thursday or Friday it would take a good deal less than that. I have seen Mondays when it would take three or four times that long—sometimes all the afternoon.

Mr. HAUGEN. I am speaking of the general practice.

Mr. HALL. I should say the average would be half an hour to three-quarters of an hour.

Mr. HAUGEN. I have knowledge of it having taken three or four hours.

Mr. HALL. So have I.

Mr. HAUGEN. Then, why put up an average of three-quarters of an hour?

Mr. HALL. That is about the average. We think that \$8 for cattle on Tuesday is a great deal better than \$8 on Monday, because they get to the scale much quicker.

Mr. HAUGEN. In your investigations did you find any selling agreement between the commission men and the packers?

Mr. HALL. No, sir. We have not attempted to discover anything of that kind.

Mr. BRAND. We do not work with detectives, Mr. Haugen.

Mr. HAUGEN. That is investigation. It is not detective work.

Mr. BRAND. That would be in restraint of trade, and it would be investigated by the Department of Justice and not by the Department of Agriculture.

Mr. STEELE. I will state that there is no agreement, as far as I know, between the commission men and the packers as to the time they come to the scale, because the commission men are always eager to get and preserve the fill. On account of the congestion, it is impossible to weigh them over one or two scales in a reasonable time. We have a good deal of complaint about that. We bring that matter up to the president of the stockyards many, many times, and they sometimes open up what we call the speculators' scales and the hog scales, and they try to handle these cattle as rapidly as possible.

Mr. HAUGEN. I would like to get a few minutes myself on the fill proposition when you get through, Mr. Steele.

Mr. STEELE. Go ahead.

Mr. HAUGEN. You say there is no agreement between the commission men and the packers?

Mr. HALL. I said we had not learned of any.

Mr. HAUGEN. To some extent are not the commission men dependent on the packers? I will put it in this way: Is it not an absolute fact that the commission men are absolutely at the mercy of the packers and that unless they do the bidding of the packers to-day they will not visit their yards to-morrow?

Mr. HALL. If you mean—

Mr. HAUGEN (interposing). That has been alleged. I am not going to ask you to answer that question, but did you investigate that? That is common knowledge. Did you look into that fact? What conclusion did you reach?

Mr. HALL. As to the dependence of the commission men upon the packers?

Mr. HAUGEN. Yes.

Mr. HALL. We know that the commission men are dependent on the packers in various ways. In the first place, the commission man rents his office in a building which probably is owned by the packers or by packing interests.

Mr. HAUGEN. Exactly.

Mr. HALL. And a great many commission men are dependent upon banks and loan companies, which are virtually representatives of the packing interests, for the funds with which they finance their business, and, as was stated yesterday, competition has been reduced as the years have gone by, thereby making the salesmen more dependent on the reduced number of buyers; and to that extent it is very clear to us—

Mr. HAUGEN. But, to cut it short, you intend to include the customers, too; that is, the packing houses and the scalpers?

Mr. HALL. Yes.

Mr. HAUGEN. Without the packing houses they would not be able to do any business?

Mr. HALL. No, sir; and the number of buying interests have been reduced because the order buyers at markets throughout the country have been reduced to a small number of concerns.

Mr. HAUGEN. In your investigations did you find that stock is being sold directly to the buyer in the country or, in other words, as a general thing, that the stock is sold to the scalpers or feeders?

Mr. HALL. The stock is sold to the scalpers, and it is a matter of great complaint among the stockmen that they can not go to the commission men and buy the stock out of their hands. That is the custom at the principal market centers.

Mr. STEELE. Now, I want to get in there.

Mr. HAUGEN. I prefer to finish this.

Mr. STEELE. All right; go ahead.

The CHAIRMAN. Let Mr. Haugen conclude his questioning, Mr. Steele.

Mr. HAUGEN. We agree that that is the general practice—that the stockers or feeders are sold to the scalpers.

Mr. HALL. May I read a statement into the record in answer to that question?

Mr. HAUGEN. Yes, indeed.

Mr. HALL. At the hearing in November—

Mr. HAUGEN. All I care to get is something on this point.

Mr. HALL. The secretary of the American National Live Stock Association offered this as one recommendation among a few others for the betterment of the business from the standpoint of the stockmen: That the commission house shall not serve as both the seller and buyer of the same stock and that they shall sell direct to country purchasers.

Mr. HAUGEN. To what extent does that practice continue—I mean the same firm buying and selling? For instance, one commission firm accepts an order from John Jones, and they sell it to another firm, to John Smith, in Kansas, and charge two commissions.

Mr. HALL. We are reliably informed that that is a very extensive practice, but just to what extent it is conducted it is impossible to say.

Mr. HAUGEN. But in order to protect himself a commission man has got to sell to such men as Mr. Lawler, the scalper, if he is going to establish a standing with Mr. Lawler, and he is practically the only customer now in Kansas City.

Mr. HALL. We have information of actual cases in which commission men have refused to sell to a country buyer at the same price that they would sell to a regularly established trader in the yards.

Mr. HAUGEN. You have investigated that and can state positively that that is being done?

Mr. HALL. As I said, we have a statement from what we consider a reliable source. We have not verified it, but we are informed that that is a very common condition at the market centers.

Mr. HAUGEN. Then they are absolutely at the mercy of the scalpers, and Mr. Lawler, at Kansas City, is practically the only scalper?

Mr. HALL. At Chicago there is a traders' live-stock exchange with a membership of something like 550, a number of whom, though not many, are prominent.

Mr. HAUGEN. Well, how many? I want to know.

Mr. HALL. They are all more or less prominent.

Mr. HAUGEN. Then, are we to draw the conclusion that the commission men are absolutely at the mercy of the customers? The customers are the packing houses and the scalpers, the scalpers are few and the packers are few, and unless the commission men do their bidding to-day they will have no business to-morrow. It has been alleged that there is a secret agreement between the commission men and the packers and that those commission men who will not do the bidding of the packers one day will not get any business the next day. Have you looked into that matter?

Mr. HALL. No, sir; only in a very general way.

Mr. HAUGEN. Mr. Steele spoke of the whispering. To what extent is that going on in the stockyards.

Mr. HALL. I can not answer that.

Mr. HAUGEN. Well, you spoke of riding on a horse. Whose horse were you riding?

Mr. BRAND. Maybe it was Rosenbaum's or some other big buyer's, depending on whose courtesy we were receiving from day to day. No matter whom we asked they would be very glad to extend to us the courtesy.

Mr. HAUGEN. And everybody knew your bent because you were riding their horses, and there could not be any whispering there. Now, in riding with these cattlemen what did you find out about these whisperings?

Mr. HALL. Let me give you an instance along that line. The statement was made recently by a large cattleman that he had a train of cattle in the stockyards on a certain day and only one buyer came to bid on them. Another buyer was asked to look at them but said he was too busy. He said, "I will take so many loads at whatever so-and-so—referring to the other buyer—offers to pay for them." The shipper cited that as an illustration of the close relations existing in that connection. That was perfectly in the open, and yet the shipper considered it a decided abuse.

Mr. HAUGEN. Now, we will take up the methods of buying. Each packing house has a head man who is responsible for all the buying, and he gives his instructions to the men under him?

Mr. HALL. Yes, sir.

Mr. HAUGEN. And they are divided into sections?

Mr. HALL. Yes, sir.

Mr. HAUGEN. He gives his orders, for instance, to a commission man in Mr. Steele's district, and if that commission man will not do the bidding of Mr. Armour, or whoever it may be to-day, the head man has that information and is sure to give the instructions not to go near those pens the next day. Did you look into that situation to any extent?

Mr. HALL. No, sir. Commission men have told us—

Mr. HAUGEN (interposing). Well, that is rather ex parte evidence, and I would like to get something from the other fellow.

Mr. HALL. Concerning matters of that kind, we have no eye or ear knowledge of discriminations of that sort, Mr. Haugen.

Mr. HAUGEN. You have no knowledge of that? That has not been alleged by any one?

Mr. HALL. Oh, yes; it has been alleged, and it is in the official record of our hearing at Chicago. That was one of the purposes of that hearing—to get it down in black and white.

Mr. HAUGEN. What was the purpose of the hearings?

Mr. HALL. For the purpose of considering the marketing of live stock, particularly at the central markets.

Mr. RUBEY. Mr. Chairman, I make the point that that is already in the record.

The CHAIRMAN. That is already in the record of this morning.

Mr. HALL. An opportunity was given to anyone who might complain of any matters—

Mr. HAUGEN (interposing). If it is in the record, let it go. I will be candid about it, Mr. Chairman. My purpose in asking for this information is to know what this money is being expended for?

Mr. HALL. That is very proper.

Mr. HAUGEN. If the department is going hand in hand with these packers and these people who are connected with them, then the money is misappropriated. If it is being spent for the benefit of the shipper and the farmer, then very well.

Mr. RUBEY. I do not know whether or not you were here at the time, but Mr. Brand made a complete statement this morning about the purposes of this meeting at Chicago.

Mr. HAUGEN. I did not hear it all; I heard the last part of it when I came in.

The CHAIRMAN. Let me repeat that Mr. Brand explained very fully the purposes of this hearing in Chicago and informed the committee that they had a stenographic transcript of the evidence in his office and that they were now going through that evidence with the view of reaching conclusions from it, and that they were going to publish it if they had enough money to do so, or they would probably ask this committee for money to publish the testimony. That has been satisfactorily explained to me, at least, but I do not know how the other members of the committee understand it. Do I state it correctly, gentlemen? I want to make my appeal to the committee. Is that the fact, Mr. Overmeyer?

Mr. OVERMYER. I think so.

Mr. HAUGEN. Does the hearing bear upon this question, the stockyards?

Mr. BRAND. Decidedly; in every particular.

Mr. STEELE. I want to know this: The impression gained from the statements of this witness under Mr. Haugen's questioning was that there was a collusion between the commission men and the traders. I do not call them scalpers, but I call them traders; they are merchants. I want to say that there is no such collusion, and a commission man will sell to a farmer just as readily as he will sell to a trader, but there are very few instances in which a farmer will take the entire load of the commission man. He will want to select a certain number of steers. Now, the trade is in this condition: That if you did sell to the farmer 15 or 18 of the 21 or 22 steers, you would have 3 or 4 or 5 steers upon your hands. Then it would be impossible for you to sell those cattle, because the trader would say, "You sold them to Jones. Let Jones take these cattle." Another fact is this, that when the market opens at 8 o'clock in the morning you must trade rapidly, because your yards are full of cattle and you are expecting additional trains that will arrive with more cattle. Your traders are there to buy everything—your heifers, your light cattle, and your heavy cattle—and the farmer is reluctant to trade, because

he does not know whether he is offering too much or not. So that it will take him all day to buy one or two loads of cattle. The commission man does know that he is getting the value of his cattle, and he will make a \$10,000 or \$15,000 trade in 15 minutes. So that it is impossible to get in any of these great markets without speculating.

The cattle speculator puts in the pens from two or three hundred up to one thousand cattle, and then he divides those cattle into yearlings, 2-year-olds, 3-year-olds, and bulls, and if you want a load of bulls you will go to the speculator. Now, any speculator will give you a load of steers for a nickel over cost at scales. If a farmer wants a load of cattle he can buy, as well as others. So there is no collusion between the speculator and the commission man. They start with the speculator because they can clean up the stock pens, where otherwise they would get balled up so that you could not get your remittances in a week, and you would eat up all the commission that the men charge.

Mr. HAUGEN. I can not let that statement go unchallenged in the record. I can state from personal knowledge that that is not the fact at the present time. In some of our larger shipping towns—for instance, St. Paul, Kansas City, and Chicago—up to a few years ago, a few head of cattle could be bought from commission men, but inside of 15 minutes they would have you over in the scalpers' yard, and that means that you pay an addition of not 5 cents but 50 cents, and sometimes for 40 pounds additional fill.

Now, I am not quarreling with the commission men, because they are at the mercy of the scalpers or packers. They have told me confidentially, "We would like to do business with you if we could, but we are absolutely helpless; we have to sell this stock to the scalper, and he will sell it back to you. We would like to accommodate you; we want your business, and when you ship your cattle here we would like to sell it for you; but we have got to sell it to the scalper." Now, they are there, and they are absolutely helpless. That is my experience. I have spent as much as two days in the stockyards trying to buy a load of cattle, and I could not buy them except from the scalpers. That is my experience, as well as the experience of others. That seems to be the experience of every shipper that I know anything about.

The CHAIRMAN. There is a difference of opinion between Mr. Haugen and Mr. Steele. The committee is interested in hearing this discussion, but it has not been assembled this morning for that purpose.

Mr. HAUGEN. I am not responsible for it.

The CHAIRMAN. Both of you have your statements in the record, and the committee will look at them and the country will look at them; but we have got to get on with this hearing to-day. Mr. Hall has been on the stand for practically an entire day, and he wants to get through. Now, what is your next line of work, Mr. Hall?

Mr. HALL. I would like to name the other lines of work that we are engaged in and then will go into such detail as may seem desirable. We are making a study of the small packing houses of the country. Here [indicating] is a map showing the distribution of the packing points throughout the United States, including large and small points.

Mr. ANDERSON. How many of them are cooperatively owned by municipalities?

Mr. HALL. These are not cooperative. I have a statement as to cooperative ones here. There is only one cooperative packing plant in operation now, and that is at La Crosse, Wis., excepting one that has recently begun operation at Wausau, Wis.

Mr. YOUNG. How are they succeeding?

Mr. HALL. They are making a very slow beginning, I must say. The only one that has been in operation long enough to be a criterion began only in June, 1914, and, according to the newspaper reports and information that has been given to our representative on a personal visit there, they have had very serious losses, due to mismanagement and misfortune of one kind or another, and they are just trying to get on their feet again now.

We want to determine the efficiency of the small packing plants compared with the large ones and to find out how large a plant should be in order to succeed, especially with reference to hogs. The handling of cattle seems to be less susceptible to the operation of a small plant than the handling of hogs. We have made a study of the capital invested in a number of these smaller plants. We find that that is a large undertaking, and, as there are a great many of these plants, it will take more time to bring it to a head.

Mr. HAUGEN. Have you any knowledge of a single plant succeeding?

Mr. HALL. Yes.

Mr. HAUGEN. You are speaking of cooperative plants?

Mr. HALL. No, sir; I am speaking of privately owned plants.

Mr. HAUGEN. You were speaking about cooperative plants a while ago?

Mr. HALL. That question was asked while I was speaking about the other kind of plants.

Mr. HAUGEN. How many cooperative plants are there?

Mr. HALL. There are 15 cities, principally in Wisconsin, Minnesota, and Iowa, in which the organization of cooperative plants has been undertaken. In nearly every case it has been a promotion scheme carried on by outside parties who have come into the community to undertake to sell capital stock. Most of these attempts have been abandoned, I believe, but there are still several under way. There is one in operation at La Crosse, Wis. We made an investigation of this whole situation and found that it was largely a promotion scheme. We issued a press bulletin last July, entitled Farmers' Packing Houses, dealing with important factors which must not be disregarded in connection with cooperative packing houses.

Mr. HAUGEN. But there are others who invested their money in good faith—subscribed their money in good faith?

Mr. STEELE. I will say, Mr. Chairman, if it is possible for this department to encourage small packing plants all over the country so that these cattle and hogs will not assemble at these large packing industries, in my opinion, that is the only method in which the Government and the people can derive any benefit. You have taken away the rebates from the great packing houses now, and it is possible for a small packing plant to ship its product to the markets as cheaply as the big packer. It is possible for the small plant to carry on its

business in a more economic way than the larger plant. So that, if you can encourage in any way the establishment of small packing plants to distribute these products, then you have done a wonderful service. Without this encouragement, however, I want to tell you that the Big Four, as we call them, have the small packing plants at their mercy. Any money that you will spent in that direction and any money that you will spend to get the farmer to buy of another farmer his feeder cattle, so that it will keep them out of these congested yards, will be spent in the right direction, and you will have done a service that is very necessary; but that I do not believe you can do.

The CHAIRMAN. Well, we can try to do it anyway.

Mr. HAUGEN. What can you tell us about the packing houses? I agree with Brother Steele in what he has said, but it costs a lot of money to do that.

Mr. HALL. Not one of them has so far succeeded sufficiently to serve as an encouraging example to the others; but we believe that there are great possibilities in that movement and that a great many important essentials have been overlooked at the outset, just as was the case with cooperative creameries and other kinds of cooperative organizations.

The total capitalization of those cooperative packing plants, the organization of which has been begun, is about \$4,300,000. I have here a list of the cities in which those plants have been organized, and one of our assistants has visited, I think, every one of those cities.

Mr. HAUGEN. Who owns the stock?

Mr. HALL. It is sold to the farmers mostly.

Mr. HAUGEN. But has it found its way into the Big Four?

Mr. HALL. Not so far as I know. The controlling interest is sold to the farmer, and under the cooperative law of Wisconsin, where most of this movement has been carried on, no stockholder is permitted to own more than \$1,000 in stock.

Mr. HAUGEN. Is it not a fact that the successful ones are generally absorbed by the bigger fellows?

Mr. HALL. Are you speaking of cooperative or private plants?

Mr. HAUGEN. The smaller plants. You speak of some that are not successful, and now you are speaking of the ones that are successful. What becomes of them? Is it not a fact that they are being bought up by the Big Four?

Mr. HALL. Yes; a great many of the independent plants have been.

Mr. HAUGEN. Can you give the number?

Mr. HALL. No, sir; but throughout the East and West the tendency has been toward centralization.

Mr. HELGESEN. Do you know to what extent the so-called Big Four own refrigerator cars in the country, so that, if an independent company should start up, it would be dependent upon them for shipments?

Mr. HALL. I can give you that in the record, but it is a very great percentage.

Mr. HELGESEN. The general impression throughout the country is that they control the refrigerator cars.

Mr. HALL. Yes, sir.

The CHAIRMAN. Suppose you put that information in the record.

Mr. HALL. Yes, sir.

(The statement referred to follows:)

Beef and refrigerator cars owned and controlled by the large packing interests, as of January, 1913, as ascertained by the Interstate Commerce Commission in the investigations covered by its Docket No. 4906.

Owned by—	Number of cars.
Armour	14,447
Swift	6,767
Cudahy	1,578
Morris	2,111
Total	24,901

Mr. HELGESEN. If that is true, do you think that a privately owned or a cooperative plant on a small scale could operate successfully if they have to go to the Big Four for refrigerator cars?

Mr. HALL. We think that their greatest opportunity for success lies in developing the local trade and not in reaching out into the distant markets any more than necessary. Of course, it will be necessary for them to sell some of their surplus products at the central markets.

Mr. HELGESEN. Now, this is very important, because, according to your opinion, it would not be wise to establish a small packing plant that would go beyond the limits of local trade.

Mr. HALL. Not as a general proposition. I should say it would be an extraordinary case where it would succeed on anything else than a local-supply basis.

Mr. HOWELL. Do you know what minimum capacity would be necessary to insure the success of a small packing plant in the hog business?

Mr. HALL. No, sir; I could not give you a sufficiently definite answer on that.

Mr. HOWELL. You have made some investigation of that subject?

Mr. HALL. Our Mr. Doty has studied that subject, and whether it would be 300 hogs or 500 hogs a week I would not want to say, but I should be glad to answer the committee more definitely later by inserting it in the record.

Mr. HAUGEN. Is the packing house permitted to own its own cars or refrigerator cars?

Mr. HALL. Yes.

Mr. HAUGEN. Under the new law, ought not they to be owned by the railroads?

Mr. HALL. No, sir; not under any law that I know of.

Another form of local marketing enterprise is the city-owned slaughterhouse, or the municipal abattoir, to give it a better sounding name. Various cities have found that they have got to take hold of the situation in order to keep up satisfactory sanitary standards, and, while the Bureau of Animal Industry is devoting attention to the sanitary side of it, we are considering municipal abattoirs as an economic project. There are seven municipally owned abattoirs in the United States and there are about a dozen more that are privately owned.

Ice plants in the South recently have begun a new industry, buying dressed hogs from the farmers and curing the meat during the winter. They are paying 8 to 9 cents a pound in many communities where lower prices always have prevailed. In some places where local markets are oversupplied we have seen hogs selling at 3 or 4 cents a pound. When the weather is bad both dressed hogs and cattle have been practically given away under some conditions. In Arkansas a representative of the Department of Agriculture, who has recently been appointed as a State representative of the Office of Markets and Rural Organization, has visited some 50 or 60 ice plants in that State to assist them in the business of buying dressed hogs and curing them and to assist them in disposing of the product instead of shipping the hogs or the products away. There are other ice plants which are engaged in the curing of meats for farmers, which is an effective aid to local marketing. In some places, like Vicksburg, they have developed stockyards for the betterment of the local markets.

Then, we are encouraging the improvement of farm-prepared meats throughout the country in every way that we can. We are planning for the collection of information which will be of value to the farmer in preparing and marketing his meats in better shape. There is one department bulletin on that subject, but very much more information is needed from a marketing standpoint.

Mr. HAUGEN. Have you knowledge of farmers 35 miles from this city shipping their hogs to Washington and selling them for 6 cents a pound dressed when they are selling at 9 cents a pound here?

Mr. BRAND. They are very foolish if they do, because at my farm, 96 miles west from here, they are selling at $6\frac{1}{2}$ cents undressed, and I ship to Baltimore.

Mr. HAUGEN. Gov. Hull, of my State, shipped his hogs here to Washington and got only a fraction over 6 cents, when they were selling at 9 cents at the market here.

Mr. BRAND. But he was not selling them dressed.

Mr. HAUGEN. They were dressed hogs. I am putting it in the record so that the bureau may have the information.

Mr. HALL. Another important line of work that is needed is the standardization of the different classes of meat. We need a meat specialist who will give all his time to working out specifications that can be used by commissaries of all kinds, including State departments and State institutions, in buying meat on a more definite basis. We have had calls for information along that line, and we need information to meet the requests. It is important that the Government and the States should set a good example in their own buying.

The matter of retail marketing of meats has never been thoroughly worked out. In fact, it has never been worked out at all from the standpoint of the consumer. I have been very much impressed with the need of an investigation to show the relative market values and uses of the retail cuts of meat, presented in such a way that the average man and woman, especially the woman, can make use of it in buying the retail supply of meat. A bulletin of the department that has been most in demand, the leading one by far, has been "The economical use of meat in the home." It is primarily a cook book, without any illustrations at all. Other bulletins which have been in

very great demand are "Meat on the farm" and "Meats: their composition and cooking." These three are among the 10 most widely circulated bulletins of the department. That illustrates the demand for information as to the economic purchasing of meats. We believe that the great decrease in the consumption of meat which the statistics show has taken place in the last few years could be to a considerable extent offset by the right sort of a publication backed up by educational and extension work.

Mr. HAUGEN. What can you suggest? Have you a single suggestion to make?

Mr. HALL. Yes.

Mr. HAUGEN. I understand your department has been carrying on a sort of cooperative plant there?

Mr. HALL. I have no information as to that. I am not speaking of cooperative marketing; I am speaking of information that is needed by the average family in buying their meat at the family market, so that they will know which meats are worth the money and so that they will know how to get the most for their money.

Mr. HAUGEN. But another bureau has been teaching for a number of years the same thing. How are you going to decrease the price to the consumer? You have investigated that for a number of years.

Mr. HALL. But there has never been a properly illustrated publication of that sort prepared.

Mr. HAUGEN. You believe that you can improve upon the bulletins that have been issued heretofore?

Mr. HALL. We believe that we can issue a publication—

Mr. HAUGEN (interposing). I understand the object is to help the consumer as well as the producer. Now, how can you help the consumer and the producer?

Mr. HALL. By giving him information.

Mr. HAUGEN. Information as to what—how to get things cheaper and how to know what he is buying?

Mr. HALL. To be a better judge of what he buys at the market and to know how to get the full value of his money. Of course, as you say, that has been partially covered, but it has never been put out in a systematic, illustrative way.

Mr. HAUGEN. But you have nothing to suggest? You are not giving any consideration to increasing the return to the producer and to the lessening of the high cost of living that was promised us a few years ago?

Mr. HALL. We think we can lessen the general cost by increasing and improving the demand for certain kinds of meat. Of course, the price of meat depends on a good many factors, which have to be taken into consideration.

Mr. HAUGEN. I understood you to say yesterday, with reference to the associations in Minnesota, that you were encouraging the farmer to save money by shipping in such a way as to lessen expenses.

Mr. HALL. Yes.

Mr. HAUGEN. And by doing away with the middleman's profit?

Mr. HALL. Yes; with the local buyer's.

Mr. HAUGEN. Now, there are people who believe that this whole movement is for the purpose of doing away with the middleman—

that is, the local man. I am glad to have that information, so that we may know for all time what the purpose of this department is—to do away with the middleman.

Mr. HALL. To do away with the profit of all unnecessary middlemen. It is not our idea to take away the middleman at all, but where the farmers ship their stock directly that incidentally does away with the functions of the middleman.

Mr. HAUGEN. And you approve of that?

Mr. HALL. In that case; yes.

Mr. HAUGEN. In that case?

Mr. HALL. Yes.

Mr. HAUGEN. Why not in all cases?

Mr. HALL. In any case where it will reduce the waste, and on a practical basis. The representatives of the cooperative marketing project may speak much more to the point on that than I can.

Mr. HAUGEN. Then we are to understand that you encourage doing away with the local man to lessen the expenses in the transaction? You encourage that and believe that should be the policy of the department?

Mr. BRAND. We try to be fair to everybody—to the packer and commission man—and we are more than fair to the producer. We are taking every step we can properly take to find efficient means of aiding the producer in order that he may save money and that the consumer may get the product more cheaply. We are not trying to eliminate the middlemen. That may be a by-product of our work, but that is not the purpose of our work. Our purpose is to promote efficiency and eliminate waste, and in doing that certain factors that have developed, through our rather laissez faire way of doing things, will naturally be eliminated in some instances.

Mr. HAUGEN. Now, since the doctor has answered my question, I will let you answer it in your own way, Mr. Hall. The doctor says that he believes in doing away with the middleman.

Mr. BRAND. I said wherever he is unnecessary.

Mr. HAUGEN. Well, I infer from your statement that they are all unnecessary.

Mr. BRAND. No; we do not agree with that.

Mr. HAUGEN. That might be so, in the view of some people.

Mr. BRAND. It may be in the view of some people, but we do not believe in that.

Mr. HAUGEN. Some people believe that the stockmen are necessary and some believe that they are not. Some believe that the merchants are necessary and some believe that they are not. People in Washington understood that that was the plan. It was advertised in the city and certain persons were hiring halls to tell the people how they could eliminate the middleman.

Mr. BRAND. We can not defend that; we did not do it.

Mr. HAUGEN. I want to know what your idea is.

Mr. BRAND. I think I have indicated that.

Mr. HAUGEN. It is to do away with the middleman whenever you think it necessary?

Mr. BRAND. No; not whenever we think it necessary, but when economic conditions prove that it should be so.

Mr. HAUGEN. Whenever economic conditions make it necessary?

Mr. BRAND. I think I have covered that ground sufficiently.

Mr. HAUGEN. Do you agree with the statement made by the doctor?

Mr. BRAND. He has made a great many statements, with most of which I agree.

Mr. HAUGEN. When I asked him what was the purpose, and if that was the purpose, he said yes.

Mr. BRAND. I made it perfectly clear that wherever there is an unnecessary middleman—and the middlemen agree to that themselves—he will be eliminated, not by the department, but by the operation of economic law.

Mr. HAUGEN. You hold that it is an unnecessary evil for a man to buy stock, assemble stock all over the country, ship it, and sell it at the terminal markets?

Mr. BRAND. I hold that the farmers at Litchfield, Minn., who are better able to sell their live stock than any local buyer, ought to do it themselves; and the same thing happens in this case as in the case of Litchfield, Mich., and likewise in Nebraska and in your State. They are developing a large number of very efficient live-stock distributing organizations. Whenever they can perform that service for themselves at a lower cost than it is performed by local men, I think they should do it.

The CHAIRMAN. Is that your policy, Mr. Brand?

Mr. BRAND. Yes, sir.

The CHAIRMAN. That seems to answer it. Proceed, Mr. Hall.

Mr. HALL. Another purpose of this investigation is to give us a better basis for quotations. At the present time we have no satisfactory statistics as to local meat prices, because nobody has definitely defined the retail grades; and most of the information that we have is given out by interested parties, either wholesale or retail meat dealers. We believe it is possible to work out some standards that would eventually be just as useful as the cotton standards, the grain standards, and other standards have been in their way. We believe that a beginning should be made right away to develop these standards. In fact, a beginning has already been made in Illinois, where the State experiment station has published bulletins on the classes and grades of live stock and meat.

Mr. STEELE. Can you standardize live stock?

Mr. HALL. Not as cordwood, which can be measured in lengths. But the Illinois Experiment Station has been the means of bringing about more uniform and definite quotations on live stock in the daily live-stock papers. I have copies of these publications, which I would like to submit for your information if you are interested in them.

Mr. STEELE. I can pick up a live-stock market report and find stock cattle selling from $7\frac{1}{2}$ to 5 cents. How would you standardize that market?

Mr. HALL. It would be improved. I would not say standardized.

Mr. STEELE. What information would you give me that the $7\frac{1}{2}$ -cent cattle was a certain standard that would have a certain quality?

Mr. HALL. It is largely a matter of quality in the case of cattle, and the nearest we can approach to that is to pick out a steer that is a choice feeder or stocker and agree on that type, just as the cotton people agree on a certain type of cotton as a standard.

Mr. STEELE. Well, by the time you sent that bulletin out to me the price would have declined.

Mr. HALL. But the grade would be the same; the grade would not be changed. While it may seem visionary in some ways, yet practical stockmen with whom we have gone over this matter have agreed with us that it is well worth following up, and that, while men who handle cattle all the time see great variations in them, just the same as the cotton men see the variations in cotton, there is yet a good deal to be done to make quotations on meats more standard, just as in the case of cotton and grain. We have made some investigations to show the different grades of meat and the relationship between the various grades of meat and the range of prices. Further investigations will make it practicable to make quotations more definite as to the different grades of cattle and meat.

Mr. HAUGEN. But what are you going to do with those quotations with the comparisons?

Mr. HALL. Through the trade papers the quotations could be sent broadcast on the basis of certain definite grades of cattle. It is reasonably definite now in some of our best market papers, but it can be improved.

Mr. HAUGEN. You mean to have a Government inspector go in there and inspect and grade the cattle?

Mr. HALL. Probably not—at least not for a good while to come; and I do not know whether it would ever be practicable. Some well-qualified stockmen think that it is practicable.

Mr. HAUGEN. Who would fix the grades?

Mr. HALL. That would have to be worked out, just as the inspection system of wheat and grain is worked out; they are still in a formative state. It may be that there would be a Government inspector or a State inspector or a representative of the stockmen's associations. I think it is not too early to begin the working out of this system to see whether it is practicable.

Mr. STEELE. You are grading a certain type to-day, and you say that should sell for $7\frac{1}{2}$ cents a pound. If it can not be sold at $7\frac{1}{2}$ cents a pound, what are you going to do about that?

Mr. HALL. You would have to get the best price you could, and the same applies to the grading of all other products.

Now, as to the wool-marketing project, we propose to approach that subject from the wool growers' and the traders' standpoint. We believe that there is no product that is more in need of standardization and improvement in marketing conditions than wool. I shall not go into the details of this project any more than the committee may wish. At the present time the wool growers in the West often do not know within 5 cents a pound the actual value of their wool.

Then there is the work of our State specialists. We are being represented in several States by men who are experts on live-stock questions, helping the farmer and live-stock men to solve the problems of live-stock marketing, studying improved methods of marketing live stock, advising farmers as to the efficiency of the different markets that are available, and assisting them in regard to ice plants, cooperative packing houses, and community slaughtering plants. I think that covers the principal lines of work under this project.

The CHAIRMAN. Any further questions? We are much obliged to you, Mr. Hall. We will now take up the next project, Mr. Brand.

Mr. BRAND. The next project is entitled "Marketing business practice." I will ask Mr. Kerr to discuss that project.

STATEMENT OF MR. W. H. KERR, IN CHARGE OF MARKETING BUSINESS PRACTICE, OFFICE OF MARKETS AND RURAL ORGANIZATION.

Mr. KERR. Mr. Chairman, I will make my statement just as short as possible and to the point, and I shall be very glad to answer questions that may help to bring out any details that any member of the committee desires to inquire about.

The CHAIRMAN. I suggest that we let Mr. Kerr complete his statement, and if gentlemen have questions to ask him let them note them on a tablet and wait until he completes his statement, so that we can get a fairly good idea of the work he is trying to do. If any details are sought to be brought out he can be questioned regarding them in that way. I will not adopt that rule unless it is agreeable to the committee. What do you say about it, gentlemen?

Mr. OVERMYER. I am heartily in favor of it and have been all the time.

Mr. HOWELL. I am in favor of it and always have been.

Mr. YOUNG. So am I.

Mr. HAUGEN. I suggest that, if any member desires to ask a question, he should first ask permission of the chairman, and that rule stand for all time to come.

Mr. OVERMYER. Of course, the chair would not want to refuse that kind of a request.

Mr. ANDERSON. I find that sometimes these gentlemen do not make themselves entirely clear to me, and I would like to have the opportunity of at least putting the question to make the proposition entirely clear if I do not understand any particular point.

The CHAIRMAN. Let us understand ourselves, gentlemen: That we will try to let these gentlemen go on as rapidly as we can without trying to cross-examine them into contradictions, and the like of that, and let us get along as quickly as we can.

Mr. KERR. Thank you, sir. I will try to make the points as clear as possible. The line of work that we are engaged on is entitled "Marketing business practice." That is, the business practice side of marketing, including a uniform system of accounting, financing, and the details that affect the dollar-and-cent end of it, as they are kept in the records. We have carried on extensive investigations throughout the United States, starting first with the farm elevators. We found, first, that the farm elevators, as a rule, were using systems of accounting which in no way showed the actual status of the business. Many of them were unsystematic, and in many cases farmers were losing money on stored grain. After a thorough investigation, as far as we could make one, we devised a system of accounting which we believe embodies the best elements of the systems with which we have come in contact.

We tried that system at 14 different elevators, in seven different States, and after a year's successful operation, and having brought it

before many men in the trade, we feel that that system could profitably be used throughout the country. On the 1st of May we put that system out, and to-day it is in use in 450 elevators in the United States. I have a sample copy of the system, which is being published by printers generally, and that same system—the same book, the same size, the same binding exactly, the same method of operation—is now being used in elevators as shown by these black dots on this chart [indicating]. We issue a bulletin which describes in detail the operation of that uniform system. Every item which enters into any one of these elevators on this map is handled in exactly the same manner. At the close of the business year we receive what is known as a cost analysis sheet from each one of those 450 elevators. That sheet analyzes the cost of doing business by the grain handlers; from that analysis sheet we work up a summary, and from that summary we work up a cost estimate of doing the work. In that way we are able to compare the operation of one elevator with another and show where improvements can be made, where the elevator is operating on an efficient basis, and where the margins are too high or too small, so from that we have a situation which will show the exact status of the business at any moment. In North Dakota and other States it is absolutely important that they should know how much to account for to the farmer in stored grain.

We are now trying out a system for cooperative creameries, and it has been so successful so far that we have decided to put it out in the form of a bulletin, thereby making it available to the creameries, both cooperative and independent, throughout the United States. We have a system which we are trying out experimentally in live-stock associations, and we are going to make that system available for some 500 live stock shipping associations in this country if it is found to be desirable. Then we have a system of cost accounting in cooperative canneries. Five canneries in the State of Oregon and one in the State of Washington (most of the cooperative canneries are located in the Pacific Northwest) are in operation under this system, and they are able to tell the exact cost of any particular product. In that way they can tell the price that they should pay to the farmer and the amount of advance that they should make for different kinds of delivery.

We found from a large number of requests received from the trade and commission men generally that there is a demand for a uniform system of accounting for the commission business. This is a matter that we feel we should go into, but on account of other work we have given it but slight attention. We have a system in Boston in a large commission house there which has been in operation for several months, and it has been our desire to extend that experimental system to other cities in order that we may perfect a system of keeping records in identically the same way in commission houses throughout the country, which will permit the furnishing of an account of sales which will be intelligible and based upon records accurately kept and which will show the exact condition of facts relative to the selling end of the business. The trade is very anxious to secure assistance from some impartial agency in standardizing account records.

Another thing is that there are a few small commission firms in the United States that keep no records. It is deplorable, when you get

into this work and find the conditions existing in some of the small commission firms throughout the country. I have seen stuff come in on consignment and be entered up on a sheet of paper, and I have seen four or five lots of stuff of different grades and different qualities sold to a man and entered as one sale, and I wondered how it was possible for those firms to make a reliable return to the producer. If we could develop a better system of accounting along this line, all the commission firms throughout the country would be only too glad to adopt it, and we would have a uniform basis on which all returns would be figured, and, in case there is any difficulty or discrepancy or a grower is not satisfied that his returns are based on the actual receipts at the market, he will be able, with but little difficulty, to trace the matter out through his accounting system. It not only protects the commission man but the grower and the shipper as well.

In connection with the elevator work, it may be said that that work was so popular with the cooperative elevators that the indications are that soon there will be many thousand elevators using that system. Several hundred of them intend to install it beginning with the next fiscal year, and we have concluded to include all the elevators and warehouses in the United States handling grain. To that end we are now endeavoring to establish this uniform system of accounting for the grain trade generally, and the indications are that it will be adopted throughout the country. Seven State grain dealers' associations have adopted that system, and it is being recommended generally by printers and accountants for keeping the records of elevator companies. I have some 400 columns of newspaper and trade-paper comments and a great many letters from managers and others who are using the system, showing that it meets the needs and a long-felt want of these companies.

The matter of auditing and financing, especially with cooperative organizations, is important, and we have spent considerable time in carrying on investigations with reference to the different methods of financing these farm organizations. We have now in published form, available for farmers who desire to make use of these things, plans to put into operation the financing of these organizations. It is very important that the farmers' organizations in this country should be financed on proper business principles, and we are working for the improvement of such cooperative marketing agencies as now exist and for the promotion of new ones.

As to fruit and produce work, we have devised a system of accounting, and that system is now in operation in some 37 fruit and produce exchanges in the United States. A few of them are indicated on this chart by red dots [indicating].

From the figures that we have received from managers who are operating the system, we find that on an average, by operating this system which we have developed for farm elevators, \$100 a year can be saved in the item of labor cost in the keeping of those records. Figuring on the basis of 450 elevators, not considering the great number which will in all probability adopt the system eventually, it will effect a saving to the farmer on that item of \$45,000 a year. The 450 elevators which are using the system marketed this year \$58,500,000 worth of products.

The volume of business shows the necessity of keeping records in such shape that a proper return can be made to the farmer. That is

very important in a cooperative elevator, on account of the fact that dividends are prorated back to the members of the organization on the basis of the shipments made, and that more or less complicates the records.

The system is not only based upon the best business principles, but we are able to give comparisons one with the other, and we can in that way get at certain business inefficiencies and effect a saving by improving the general conditions and establishing the business on an efficient basis. We hope to be able next year to go into an investigation of commission-house accounting and try out a uniform system of accounting for commission houses in the large States of the Union.

I want to call your attention to the resolution which was read yesterday by the gentleman from Missouri regarding a uniform system of accounting for packing houses. We have all kinds of requests, and they simply show that producers and commission men and, in fact, all who are interested in the problem of marketing agricultural products realize that there is a necessity for the standardization of accounting records. The Interstate Commerce Commission has standardized the accounting records of railroad and telegraph lines, and banking accounts are more or less standardized. Harvard University is attempting to do it in grocery stores and in the retail shoe trade. It is generally recognized that we should place business on a better business basis.

Mr. ANDERSON. I understand you to say that you have made a comparison which demonstrated that bookkeeping cost, by the use of the standardized method which you have devised, has been considerably reduced?

Mr. KERR. We draw that conclusion, Mr. Anderson, from the letters which we have received from managers who are operating under this system who previously operated under other systems. Now, that would not be true in every case, but there are replies which we have received which lead us to conclude that at least \$100 is saved in the average elevator in the course of a year by the use of improved methods of accounting.

Mr. ANDERSON. The Federal Trade Commission is making an investigation with reference to the standards in different establishments. Have you cooperated with them in any way?

Mr. KERR. Very fully. The Federal Trade Commission conferred with Mr. Brand before they undertook that work, and I think we have a very definite understanding with regard to that.

Mr. BRAND. In all our work we work very closely with the Federal Trade Commission.

The CHAIRMAN. Could you differentiate the work of the commission and your work in this connection?

Mr. BRAND. The Federal Trade Commission has undertaken nothing as to agricultural products whatsoever.

Mr. YOUNG. How about live stock?

Mr. BRAND. So far as I know, they have not taken it up. I took it up with them in connection with the Chicago conference and asked them if they would not send a representative for that purpose, but they did not feel that it was necessary, as they were not working along that line.

The CHAIRMAN. What would be the line of cleavage as between the two lines of investigation? You work with farm products?

Mr. BRAND. Solely.

The CHAIRMAN. And farms?

Mr. BRAND. Yes.

The CHAIRMAN. And the Federal Trade Commission works with—

Mr. BRAND (interposing). Manufactures and, to a large extent, with producers of semimanufactured farm products, and no doubt they will soon get to the field where we are operating. However, they do not deal so much with the investigation of the practical side of the thing as we do. We investigate conditions of marketing and improvements in methods of marketing products, while they investigate conditions to determine whether or not there is anything in the way of unfair competition, monopoly, or restraint of trade, exclusive agency and territory, boycotting, and things of that kind.

The CHAIRMAN. The purposes of the two investigations are entirely different?

Mr. BRAND. Yes, sir; that is the general situation.

Mr. ANDERSON. Mr. Kerr, the general propositions underlying all accounting systems are the same?

Mr. KERR. Yes.

Mr. ANDERSON. Now, you spoke about the standardization of cost accounting in fruit canneries.

Mr. KERR. Yes, sir.

Mr. ANDERSON. Does this standardization include canned corn, etc.?

Mr. KERR. So far we have confined ourselves to farm cooperative canneries. The ones that we have investigated were primarily engaged in putting up small fruits and vegetables in the Northwest, but the system can be used by private enterprises as well as by farmers.

Mr. ANDERSON. Of course, there are a good many more or less co-operative canneries engaged in canning tomatoes, corn, and peas, but what I wanted to get at was whether the accounting system which you have worked out could be applied to all canneries?

Mr. KERR. Regardless of the product handled, it can be applied to any canning business now conducted, so far as we know—that is, with a few slight changes in the method of doing business.

Mr. HAUGEN. Is that form the one used by the line elevators?

Mr. KERR. We have a very small line-elevator form that is used—

Mr. HAUGEN (interposing). Did you work that out?

Mr. KERR. Yes; and after an extensive investigation we thought the best feature with which we came in contact, and one which we felt would be properly applicable to the situation, was similar in principle to the one we have adopted.

Mr. HAUGEN. Do you suggest carbon copies?

Mr. KERR. Not for the original financial record. Carbon copies are used for all the scale tickets, warehouse receipts and checks, and so on, but for the regular financial records we use no carbon copies.

Mr. HAUGEN. How often are reports made?

Mr. KERR. During the height of the season they are made daily to the head of the central office.

Mr. HAUGEN. Do you take carbon copies of managers' reports?

Mr. KERR. Yes; we do.

Mr. HAUGEN. How complete is the report to the president of the association—the report of the buyer or who ever is charged with responsibility?

Mr. KERR. The report will show the total amount taken in, the price paid, the dockage in places where there is dockage, the amount sold, and the number of grain checks issued, and will include carbon copies of the grain checks, and in fact, a complete record of each one of the transactions in detail; and then they are summarized in the central office.

Mr. HAUGEN. Does it give the name of the party sold to?

Mr. KERR. Yes, sir.

Mr. HAUGEN. A full report is made of that?

Mr. KERR. Yes, sir.

Mr. HAUGEN. As well as the number of bushels and everything?

Mr. KERR. Yes, sir. You will notice that all our accounts are kept in dollars and cents and in bushels and pounds.

Mr. STEELE. As a matter of fact, Frank H. Peavey had this system 35 years ago?

Mr. KERR. If he did, it was a coincidence that we should happen to hit upon the same thing. I am familiar with the Peavey system and in some respects it is practically the same, but we are developing a system which is better than anything so far put out which can be used generally throughout the country. The Peavey system was devised for one particular business. The two are not similar in all respects.

Mr. HAUGEN. But are your reports from the buyer to the manager complete so that these farmers who have invested their money in this business may know that the business is being conducted in a businesslike way? That is, in making full reports is the same method used as is employed by the line elevator companies?

Mr. KERR. Yes, sir. I have a letter from the president of a line of elevators operating in Kansas in which he makes the following statement:

I have spent a good many years in investigating systems of accounting for farm elevator and I believe the system that you have is as near burglar-proof and as near a record which will prevent any irregularities in the business as we have been able to get so far, and in addition to using that system we recommend an annual audit by the public accountant as well as by an internal accountant.

Mr. HELGESEN. When you speak of central offices, that applies only to places where there are a number of elevators, but this system is applicable to one elevator as well as to a number of elevators?

Mr. KERR. We have some single elevators in North Dakota, for instance, doing a small business a year, but we have been trying to get facts that can be used in a majority of the elevators, regardless of the conditions under which they operate.

Mr. HELGESEN. You have a system under which you think that if a man has only one elevator he can employ an auditor to keep that record, and the manager can step in there any day and find out the condition of the business?

Mr. KERR. If he follows our system he can find out at any time—any hour or any minute—just where he stands.

Mr. HAUGEN. And your idea is to make it as burglar-proof as possible?

Mr. KERR. As efficient as possible.

Mr. HAUGEN. You used the term burglar-proof.

Mr. KERR. I did not use that term myself; I was quoting somebody else. This system of accounting will put the business in such shape that it will allow a disinterested agent at the end of the year to come in and make a comparison so that he will be able to point out places where there may be an excessive cost, and things of that kind. It will be of great benefit to the producer.

Mr. OVERMYER. How do you bring this system to the attention of the operators?

Mr. KERR. Every elevator in the United States received bulletin No. 236, in which we describe in detail the operation of this system, giving a copy of the form with sample entries, and with this form a manager is able to take up the system with very little difficulty.

Mr. OVERMYER. I was wondering whether the cooperative elevators in my district might know about this?

Mr. KERR. They all have that bulletin. In addition to that, we send them in a mailing tube printers' samples of each form. At this time there are some seven large publishing houses printing the system, and they have men out in the field selling these forms.

Mr. HAUGEN. As I understand you, this is to be a loose-leaf ledger?

Mr. KERR. Yes, sir.

Mr. HAUGEN. Do you make a carbon copy of the sheet "Grain purchased"? If you are a buyer, what report do you give to the president?

Mr. KERR. If he desires it, we can give him the report daily, showing the amount of grain purchased by grades and by dollars and cents.

Mr. HAUGEN. Do you give the names of the purchasers?

Mr. KERR. He can have a copy if he wants it.

Mr. HAUGEN. He can, but what is your suggestion?

Mr. KERR. Our suggestion is that the records will be kept in the elevator and that a report should be made to the auditing committee at least once a month. That auditing committee goes over the scale tickets and other things and checks them up, and at the end of the year a competent accountant comes in and goes over the whole thing.

Mr. HAUGEN. That is not being done by the line elevators. I want to get at what is the practice of the people in the line elevators. Do daily, weekly, or monthly reports made give the names of the parties to whom the goods are sold, by whom they are bought, and everything in detail; that is, as to farmers' elevators?

Mr. KERR. Farmers' elevators are mostly only single elevators doing the business. If the president wants that information, we recommend first that you get a good responsible manager and bond him and then go over his records with an auditing committee once a month. No president wants to go over a stack of several thousand scale receipts every month or a few of them every night.

Mr. HAUGEN. I think most of them may do that, but some of them have a rather loose system, and full reports are not made. My understanding is that the line elevators make carbon copies.

Mr. KERR. They are operating under a different system. They report to a central office where the financial records are kept, but in

this case the financial and auxiliary records are all kept in the same office.

Mr. HAUGEN. The head officers are the directors and the president. They employ the managers and endeavor to get responsible men, but occasionally they do not succeed, and occasionally there is a loose way of keeping books and they get into trouble. That line of work that you have suggested here is a very valuable piece of work, and you may work out some plan, but it seems to me that your system is not complete. I believe that if I had anything to do with it I should require that carbon copies be kept so that they would have that information every evening or every week, so as to check up that account.

Mr. KERR. They have the carbon copy of every check that is sent out, every warehouse receipt, and every scale ticket, and they are all put in a bound book with consecutive numbers, so that if one of them is torn out of that book you will know that something is wrong. Now, if we send in an auditing committee every week, or every day for that matter, they would merely check up with the carbon copies. If they want to go still further, they can take the original records and check them up.

Mr. HAUGEN. Occasionally you will find a manager who draws a check for grain not received—occasionally he does not make a record of sales. Can you safeguard that?

Mr. KERR. As nearly as you can safeguard against dishonest men in business.

Mr. HAUGEN. By making carbon copies?

Mr. KERR. Yes.

The CHAIRMAN. Anything further, Mr. Kerr?

Mr. KERR. No, sir.

The CHAIRMAN. We are much obliged to you.

Mr. BRAND. The next project deals with grain, seeds, and hay marketing investigations. Mr. Livingston will discuss that item.

STATEMENT OF MR. GEORGE LIVINGSTON, IN CHARGE OF GRAIN, SEEDS, AND HAY MARKETING INVESTIGATIONS, OFFICE OF MARKETS AND RURAL ORGANIZATION.

Mr. LIVINGSTON. Mr. Chairman and members of the committee, the purpose of the grain, seed, and hay marketing project is to institute a study of the grain marketing situation at points of production and terminal markets, together with the selling of these commodities to the consuming public. The study was inaugurated six months ago. In a way our report in the matter of progress must be meager, and for that reason we are asking for a large increase; we want to overtake those who have gone before. The last six months have been spent largely in surveying the field, organizing the work, and perfecting future plans.

The field may be divided, first, into marketing at country elevators. In that connection we want to study the local market in its relation to the producer and to the large central markets, for the purpose of ascertaining its efficiency and its capacity for economic service. Statements have been made that the country elevator man is receiving too much money—that he is exacting too wide a margin. Other

statements have been made that he is working on a too narrow margin; that the business is depreciating and not self-supporting, and that it is a drag on the community. We want to obtain the facts in the case by visiting a large number of elevators and observing existing conditions. During the past summer we visited some 300 elevators in the Central West, and we hope to continue the study during the coming year. There are some 25,000 or 30,000 elevators, but we have interviewed only a small percentage of them.

The next point is terminal marketing. The commercial exchanges and boards of trade, as well as country shippers and producers, are anxious to have a careful study made of the entire terminal marketing situation. There is an element of uncertain feeling in the public mind to-day, particularly among the producers, regarding the service of the terminal markets and their margin of profit; also with regard to the amount of service actually rendered. We hope to make a detailed study of each of the large terminal markets for the purpose of making accurate reports on this subject. When completed, suggestions regarding possible improvements of certain marketing features may be offered. If nothing is discovered, a frank statement of existing conditions will be made public. Our purpose is to inquire into present conditions with a view to determining the economic possibilities and whether or not the terminal markets are being conducted in a manner insuring justice and fair dealing to producer and consumer. There are some 25 or 30 large markets, and considerable time will be required to make a detailed study of each market. A study of a single typical market might be made, but, in my opinion, such a course would be inadvisable, in that conditions existing in this particular market might not obtain in others. Conditions vary in the different markets.

The next point we wish to consider is consuming marketing. The statement has been submitted that the number of middlemen is excessive and that there is too much difference in the prices between the consumer's cost and the producer's selling price. Complaint has been made that conditions in the South Atlantic States are such that the grain shipped in from the Middle West is handled by too many middlemen, producing a marked difference between the price of the grain in the East and West. We hope to go into that question and learn something about the details of consuming marketing. In that connection also we wish to make inquiry into the advisability and practicability of establishing a consuming reporting system.

In the various sections of the East and South Atlantic States and other consuming territories the demand for grain and hay varies from time to time and from year to year, depending upon the season and other factors, the small shipper not always knowing just where he can find a market for his surplus product. The large shipper is generally in position to locate the best markets. We are looking into the possibility of establishing a consuming reporting system to provide some indication as to the amount of grain and hay needed in the various sections of the country that are large consumers of those products.

Another point is hay marketing. The hay trade feels that it should receive as much consideration and attention in solving its problems and difficulties as has been given to the grain trade. The

hay trade in comparison with the grain trade may be said to be in an unorganized condition. They have received very little assistance in solving their marketing problems, and the hay dealers are very anxious to have some assistance in making more uniform the service they are attempting to render. The grades are not definite, varying considerably in the different markets. There are very little data on the loss in shipment, shrinkage, warehouse practice, systems of inspection, and various other things that must be ascertained through personal visits to the large and small hay markets. The Western States are calling upon us for information and assistance in marketing their surplus alfalfa crop. That is a very difficult problem, because the alfalfa industry has developed very rapidly in the West, and a surplus of hay has been produced that is very difficult to place at the consuming centers because of its large bulk and the necessarily high freight charges. It is a situation demanding serious attention. The growers of prairie hay are also experiencing difficulty on account of the fact that this hay is of rather poor quality, the market is not extended, and the freight rate is high, or at least comparatively high for the value of the hay.

Still another point is seed marketing. When I speak of seed I refer to the seed of the forage crops, principally the clovers and grasses. The marketing of these products has not received much attention and, as the value of the products, together with the unorganized character of the market at the present time would indicate, there is a useful field of service in unifying the present system of marketing grass and clover seeds. There is a great deal of waste, and we want to investigate the situation.

We have also had requests to establish a seed registry and standardization service. I might explain that statement by saying that the agricultural colleges and experiment stations, together with the Federal Department of Agriculture, have developed many improved strains and varieties of field crops that have never achieved commercial popularity. They have been developed by hybridization and selection, but they have never been propagated in sufficient amount to get them into the commercial field. Oftentimes the seedsman buys a small quantity of improved seed and attempts to increase and multiply its volume, but he is not always successful in maintaining its purity. Often after being placed on the market it is sold under the name of a certain pure breed, pedigree, or strain when in reality it is a mixture. Hence, we wish to determine whether or not some system of registration of improved seeds may be worked out.

The grain-sorghum industry is increasing rapidly. In 1905 the estimated production was 5,000,000 bushels, in 1910 it was 17,000,000, and this year the estimate is 125,000,000 or 150,000,000, an increase of over 100,000,000 in the last 10 years. Along with the great increase in production and the unorganized character of the commercial machinery to handle it, there have arisen bewildering problems.

The kafir-corn growers have repeatedly sought a solution of their problems. At present we do not know how to go about solving them, but we think it is a problem worthy of some consideration because of the value of these products. We believe that the industry

has been developed to a point where it should not be permitted to languish through inability to market the grain.

Now, as to the marketing in the Southern States, if the campaign for diversified farming which has been so generally inaugurated in the South is to meet with the success anticipated for it, the southern farmer must have some help in marketing his surplus grain. Conditions there are such that our office can be of material assistance. Last year the large surplus brought up many problems, among them being the matter of elevator construction. In one State it was quite generally advocated that farmers should cooperate and construct elevators. The office, through its representatives, discouraged the plan, calling attention to the fact that a great financial loss would result from the business at that particular time and advising the southern farmers to utilize the cotton warehouses for grain-marketing purposes rather than to build new elevators. In point of fact, some have been erected and have not succeeded, while others are handling very little business—hardly enough to justify the amount of money invested.

Now, to sum up what I have attempted to say: We are just beginning the study of grain, seed, and hay marketing conditions. We feel that there is a big field; that the value of the commodities is large; and that there is much misunderstanding regarding the service being rendered by existing agencies. We are interested in finding out whether those agencies are performing their functions in an economic and efficient way and what the prospect of future improvements are. What we desire to do is to make an economic study of the entire situation, so that we can report intelligently upon it. If present conditions are all that may be hoped for in the future, it is worth a whole lot to the farmer to know that. We want first to get the facts regarding existing conditions, whereupon we may be in position to suggest some improvement. At any rate, we will be able to quote pertinent facts, which will be of some service to producers as well as consumers.

Mr. DOOLITTLE. What do you think about the ability to fix a permanent standard for hay?

Mr. LIVINGSTON. I think it should be done, but it will be a very difficult task, for, while it is the same as grain grading in one way, in other ways it is more complex. We are not able to put hay into the Babcock test and give it an accurate determination.

Mr. DOOLITTLE. Do you think it can be done?

Mr. LIVINGSTON. Yes; though not as definitely as we can find out, for instance, how much butter fat there is in milk; but we can greatly improve the present condition.

Mr. STEELE. You stated something about standardization of grain. In shipping grain from the North to the South and selling it to the southern man, would not the purchaser be required to pay a greater price than he ought to? Somebody said that, if we passed this grain-standardization bill (I think it was Mr. Rubey), in case corn was shipped from the North to the South they would know exactly the value of that grain upon the market, and consequently there would not be any excessive price charged to the consumers of corn in the South. Is that true, Mr. Livingston?

Mr. LIVINGSTON. Yes; that is true. It eliminates one factor.

Mr. STEELE. Then it would not be necessary for you to take up that feature?

Mr. LIVINGSTON. No, sir.

Mr. RUBEY. I think he stated that the grain and other stuff passed through so many hands that the price became excessive when it reached the consumer.

Mr. STEELE. But if the grain was standardized and the farmer in the South knew what the freight rates were and knew what he was paying, he would not be charged an excessive price, or he would not pay an excessive price.

Mr. LIVINGSTON. He might not if he bought it directly, but ordinarily he buys it through the local retail man.

Mr. STEELE. Well, it is up to him as to how he buys it. He knows he is going to buy standardized grain.

Mr. LIVINGSTON. Yes.

Mr. STEELE. And he knows exactly his freight rates and what he ought to pay for that corn?

Mr. LIVINGSTON. He knows the grade of grain he is getting and what it is selling for in Chicago, but the only other thing he knows is the freight rate from Chicago to that point.

Mr. STEELE. Now, he wants to know the price the party is paying for that corn sold to him.

Mr. LIVINGSTON. He does not always know where the local man gets it. He may know what it is worth in Chicago, and the local man may get it from Memphis, Cairo, or St. Louis.

Mr. STEELE. Is it your purpose to tell him what he ought to pay for that grain?

Mr. LIVINGSTON. No, sir; but we want to find out how many men are handling this grain from the time it leaves the actual shipping point until it gets to the southern consumer.

Mr. HAUGEN. You said something about studying terminal markets. In that study are you not encroaching on Dr. Duvel's bureau?

Mr. LIVINGSTON. I do not think so.

Mr. HAUGEN. Or are you in the same bureau?

Mr. LIVINGSTON. No, sir; we are not in the same bureau, but our work is very closely related. In fact, it is impossible to separate it.

Mr. HAUGEN. Is not that subject investigated by Dr. Duvel?

Mr. LIVINGSTON. He is interested in establishing grades but not in the future markets, for instance, or in the elevator situation from the standpoint of price. He is interested in obtaining information useful in establishing the grade, and we are interested in the price in its relation to the consumer, middleman, and producer.

Mr. HAUGEN. And the operation of these various exchanges?

Mr. LIVINGSTON. Yes. He is interested in the effect certain practices have on establishing grades, and we are interested in the whole economic aspect of the situation. We are taking up such points as speculation, brokers, scalping, future trading, commission men, etc.

Mr. HAUGEN. He undoubtedly has a good deal of knowledge about it?

Mr. LIVINGSTON. Oh, yes; he undoubtedly has. They are very closely connected, and we cooperate.

Mr. HAUGEN. You said that there are too many middlemen. Now, are we to understand that the slogan is "from the farm to the kitchen" or something like that?

Mr. LIVINGSTON. I did not make the statement that there were too many middlemen. I said we want to find out how many middlemen there are.

Mr. HAUGEN. What have you in view? If you find there are too many, will you eliminate them?

Mr. LIVINGSTON. No. We will simply say so; that is all. We will just make the remark.

Mr. HAUGEN. Then, everybody will have to determine for himself whether it is so?

Mr. LIVINGSTON. Yes.

Mr. HAUGEN. Have you discovered any who should be eliminated?

Mr. LIVINGSTON. That will depend upon how many there are and what effect they have upon the market. The man out in the country is led by accounts in the newspapers and various other ways to believe that there are too many middlemen.

Mr. HAUGEN. You spoke of shipping carloads of hay from one point to another—from Iowa to Mississippi, for instance. How many hands would that go through?

Mr. LIVINGSTON. We have not been able to study that. That is what we want this appropriation for.

Mr. HAUGEN. Have you any information on that point?

Mr. LIVINGSTON. Not on that particular question.

Mr. STEELE. Has it ever come to your attention from the producer that there are too many Government officials?

Mr. LIVINGSTON. Yes.

The CHAIRMAN. There are some folks in this country who think there are too many Congressmen.

Mr. LIVINGSTON. Yes.

Mr. HAUGEN. Your purpose is to get information as to consumption and prices and report consumption and prices in various localities?

Mr. LIVINGSTON. It is a matter of looking into the advisability of doing that sort of thing. That is our purpose. For instance, in some sections of the New England States in certain years there is a great demand for hay, corn, or oats, while the next year it may shift to some other section of the States or to some other part of the country. We want to get that information and furnish it to the shipper who desires to supply that demand.

Mr. HAUGEN. Well, the price is usually governed by the demand.

Mr. LIVINGSTON. Oh, yes.

Mr. HAUGEN. What the consumer is interested in is the price. Our daily papers give that every day. Anybody can pick up a paper, and it will give the price, as a general thing, at a number of these terminal markets, though not all of them. If the paper does not give the price at New York, you can buy a New York paper and get it.

Mr. LIVINGSTON. Yes; but New York may not supply the whole of New England.

Mr. HAUGEN. The farmer will send it where he can get the best price.

Mr. LIVINGSTON. Yes; and we want to tell him where he can get the best price, or, at least, where the demand is active.

Mr. HAUGEN. By picking up a paper you can tell exactly what the prices are in New York, Chicago, and Kansas City.

Mr. LIVINGSTON. Yes; but New York prices might not rule in some small towns in Massachusetts.

Mr. HAUGEN. Are you going to establish an agency in every little town and crossroads in the country?

Mr. LIVINGSTON. Not at all.

Mr. HAUGEN. You are going into towns that have no quotations of the markets?

Mr. LIVINGSTON. No. We are not going into the price business at all. In fact, we are just considering whether or not it would be feasible to report areas that are short on certain articles and other areas that are long.

Mr. HAUGEN. You say the price has all to do with it. The consumption regulates the price—or the freight rates?

Mr. LIVINGSTON. Yes.

Mr. HAUGEN. Now, what do you propose to do with pure seed? For instance, to what extent is Johnson grass seed sold for Sudan grass seed?

Mr. LIVINGSTON. That is a question we want to investigate.

Mr. HAUGEN. You have not investigated it yet?

Mr. LIVINGSTON. No, sir; we have just started. We are only six months' old.

Mr. HOWELL. If I understand you aright, it is your aim to bring the producer as far as practicable into direct contact with the buyer of his product. Is that correct?

Mr. LIVINGSTON. We want to obtain information regarding the number of hands a commodity passes through in its journey from the producer to the consumer under present conditions, and at what cost. When we have that information we may be able to offer some suggestions.

Mr. HOWELL. I understood that you work in the interest of the small independent shipper in order that he may reach the market directly?

Mr. LIVINGSTON. Yes; if he so desires.

Mr. HOWELL. And thereby increase the number of shippers who can deal directly with the primary market?

Mr. LIVINGSTON. Yes.

Mr. HOWELL. That is one of the aims that you expect to attain?

Mr. LIVINGSTON. Yes.

Mr. HOWELL. Have you considered the influence that it would have upon the price to have a great multitude of sellers offering their products on the markets? Have you taken into consideration the effect that that would have on the market? In other words, one of the great troubles of the farmer to-day is the lack of organization?

Mr. LIVINGSTON. Yes.

Mr. HOWELL. And lack of maintained prices?

Mr. LIVINGSTON. Yes.

Mr. HOWELL. They compete, the one against the other?

Mr. LIVINGSTON. Yes.

Mr. HOWELL. Have you taken into consideration the question of whether it would not, in effect, result in a competition that would lower prices rather than advance prices to the farmer?

Mr. LIVINGSTON. Not necessarily. That would depend entirely upon the demand in the market.

Mr. HOWELL. At the present time the farmer sells his product to one agent and he in turn becomes the competitor of some other agent in another market, and their aim is to get the highest price they can in the selling market in order to outbid each other in the buying market?

Mr. LIVINGSTON. Yes.

Mr. HOWELL. But you would bring the producer and his neighbor producer in the same market, and it seems to me that you would bring about a keener competition than there is now with the middleman.

Mr. LIVINGSTON. I think the competition is there, whether it is between the producers or the men who handle the commodity next.

Mr. DOOLITTLE. Mr. Livingston, from the producer's standpoint, do you think that grain should be permitted to be sold which is not in being.

Mr. LIVINGSTON. You mean future transactions?

Mr. DOOLITTLE. Yes. I mean the grain which is not in existence.

Mr. LIVINGSTON. I would like to answer that question in this way—

Mr. DOOLITTLE (interposing). From the standpoint of the producer.

Mr. LIVINGSTON. We are just starting on a detailed study of that situation. We have visited two markets and hope to study all of the future markets where that is being carried on, but I do not feel that we have sufficiently studied the matter to answer that question definitely at this time.

Mr. BRAND. May I answer that question in this way: The committee is familiar with the report on the cotton exchanges which discusses the cotton situation in great detail. No thorough investigation has been made in the matter of trading in grain futures. We want to carry on that work next year in line with that excellent report that was made on cotton-futures trading by Mr. Herbert Knox Smith.

Mr. LIVINGSTON. The same question comes up in the matter of selling options on land.

STATEMENT OF MR. CHARLES J. BRAND, CHIEF OF THE OFFICE OF MARKETS AND RURAL ORGANIZATION—Continued.

Mr. HAUGEN. Now, I would like to ask Dr. Brand a question or two. Can you furnish a report giving the number of employees in the Office of Markets, where assigned on this work, and what you propose to do?

Mr. BRAND. Yes.

Mr. HAUGEN. You will have a detailed statement put in the record?

Mr. BRAND. If the committee wishes it.

The CHAIRMAN. Without objection, it is so ordered.

(The statement referred to follows:)

Personnel of Office of Markets and Rural Organization, February 11, 1916.

	In Washington.				Out of Washington.			
	Total.	Lump.	Sta- tu- tory.	Tem- porary.	Total.	Lump.	Sta- tu- tory.	Tem- porary.
Chief.....	1	1						
Chief clerk.....	1		1					
Specialists.....	12	12			4	3		1
Cotton technologists.....	2	2						
Investigators.....	10	10						
Structural engineer and draftsman.....	1	1						
Assistants.....	62	62			2	2		
Law clerk.....	1	1						
Clerks.....	68	33	34	1	2	2		
Supervising telegrapher.....	1	1						
Photographers.....	2	2						
Laboratory aids.....	9	5	4					
Skilled laborers.....	22	20			2			
Unskilled laborers.....	9	8	1					
Messenger boys.....	11	5	6					
Charwomen.....	5	5						
Agents.....					6	5		1
Cotton samplers.....					21			21
Collaborators.....	1	1			13	12		1
Copyist (topographic draftsman).....	1	1						
Map tracers.....	3	1	2					
Multigraph operator (assistant).....	1	1						
Elevator conductor.....	1	1						
Electrician.....	1			1				
Total.....	225	173	48	4	148	24		24

¹ In addition to the persons shown as being employed out of Washington, a part of the time of all specialists technologists, scientific assistants, and other technical workers is devoted to field investigations. Total number of employees of all classes, 273.

Mr. BRAND. Mr. Chairman, there remain to be discussed now, under marketing and distribution, just three projects. The next project is that on the marketing of cotton seed and its products. That is a relatively small project, and I do not intend to take much of the committee's time on it, further than to say that we are carrying on investigations in future trading in cotton seed and cotton-seed products, the possibility of standardizing the grades of cotton seed and products, the effect of varying laws of the different States on the sale and distribution of cotton seed and cotton-seed products, and primary studies to discover the losses, discriminations, and general methods of handling seed in the primary markets. We have carried on that work in the past season and, to give you something of an idea of the results that have been produced, I will quote you some figures. We have carried on a survey in 17 of the small cotton towns in the Memphis district, sampling a great many loads of cotton seed each day in each of these markets. The variation in prices paid in towns as near together as 10 miles is sometimes \$10, \$11, or \$12. We find variations on the same day of from \$2 to \$12. In another case it was \$11.66. The variation, the lack of proper discrimination, the lack of any system which gives to the producer the value of the particular thing that he is offering for sale, has been made absolutely apparent by this method of primary marketing surveys. We find that the most striking way to bring home to the producer the loss that he is suffering by a lack of proper discrimination and of showing him how he can help himself. I think that will perhaps convey to the committee some idea of the results of this work.

Mr. HAUGEN. Mr. Chairman, may we have an expert on cotton seed for a few minutes? I am more interested in that subject than anything that comes before the committee. Have you an expert here who has knowledge of the cotton-seed industry, Mr. Brand?

Mr. BRAND. He is not here, but we have one who has knowledge of it—who has spent his whole life in that work.

Mr. HAUGEN. Has he any information as to the owners and operators of the cotton-seed industry of the South?

Mr. BRAND. We have a great deal of information on that subject.

Mr. HAUGEN. Have you any knowledge in the matter?

Mr. BRAND. I would say that information is knowledge. We have very complete records of the apparent ownership of certain cotton-seed industries. I suppose Mr. Haugen is looking back of that subject to those who were reputed to be interested in the cotton-seed industry.

Mr. HAUGEN. Yes. It has been alleged that the packing houses and the oleomargarine people own and operate the cotton-seed industry of the South.

Mr. BRAND. I do not think they deny a part of that allegation. I believe they have a large interest in it.

Mr. HAUGEN. To what extent?

Mr. BRAND. I can not tell you. I do not know whether it is a matter of public record.

Mr. HAUGEN. Well, you have some knowledge of it?

Mr. BRAND. No; we have no knowledge of the exact ownership of that industry. A few big corporations, like the Pennsylvania Railroad and the United States Steel Corporation, publish the exact distribution of their stock and control, but there are only a few of them, and we have no method of forcing that sort of information from people.

Mr. HAUGEN. But I understood you to say that a large amount of stock is owned or controlled by the packing houses?

Mr. BRAND. I said that the packing-house interests admit a very large interest in these concerns, whose products they use in the manufacture of their products.

Mr. HAUGEN. You have some one who has given that matter some attention?

Mr. BRAND. We have a specialist, but he is not here, as it was not expected that he would be called. The next project is marketing dairy products. That is a relatively new project, and, while not very large, we consider it very important. Mr. Potts will present this subject.

STATEMENT OF MR. ROY C. POTTS, IN CHARGE OF MARKETING DAIRY PRODUCTS, OFFICE OF MARKETS AND RURAL ORGANIZATION.

Mr. Potts. Gentlemen, the dairy industry of the United States, according to the census statistics of 1910, ranked fifth in total value of farm products produced. In some of our States it ranks first, and in some of the Southern States it ranks lower in the value of the agricultural products. Probably no other branch of agriculture is better organized in some particulars than the dairy industry. We cite the cooperative creameries in Minnesota as types of highly organized cooperative agricultural organizations which are getting for

their members larger net returns than possibly can be obtained under any system of marketing cream for the manufacture of butter. In our investigations we have taken up a study of various branches and phases of the dairy industry. Under a cooperative arrangement with the University of Minnesota we have investigated the marketing of cream to the creameries and the marketing of butter produced by the creameries in the markets of that State and the markets of the United States where these products are consumed. In our studies of the marketing of dairy butter we have investigated the conditions which encourage the production of dairy butter and the conditions which determine the prices received by producer and at which it is sold, and the relative amount of dairy butter that is consumed locally and that is shipped from the point of production to other points to be manufactured into process or renovated butter. This represents one form of our studies that has been carried on during the past year in cooperation with the University of Minnesota. We may conclude from this work that in that State—and it is no doubt true in others—it is possible for dairy butter to be marketed under better conditions than it is at present.

We found that a large part of it is ultimately sold to the renovating factories and by them manufactured into process butter and put upon the market, where it competes with dairy and creamery butter. We believe that a larger portion of this dairy butter would be consumed in the local market if it was marketed at the local grocery store in consumers' packages, which could be handled by the grocer in a more sanitary manner and would be more inviting to the consuming public. The use of consumers' packages in marketing dairy butter would increase the local consumption of dairy butter, and thus there would be removed from the market a large amount of that kind of butter which is now manufactured into renovated or process butter. In our investigations in Minnesota we made a careful study of the conditions which affect the economic cost of the marketing of cream to creameries. It is generally believed that a creamery can not afford to accept a poor quality of cream but must secure the best quality that can be obtained. When such conditions are forced upon farmers and they are obliged to deliver their cream every day to the creamery, often many will refuse to patronize the creamery. We found in our investigation that the distance the farmer lives from the creamery and the amount of cream he produces are the two economic factors which largely determine the frequency of delivery and when it is profitable for a farmer to market his cream to a creamery. In some cases we found that the cost of the transportation of cream to the creamery amounted to as much as 37 per cent of the value of the cream itself. Now, when the farmer figures the cost of producing that butter fat on the farm and then considers that 37 per cent of the market value of the cream is the cost of the delivery to the creamery, we can readily understand why it is not economical for the farmer to deliver his cream daily. We believe that by studies of this character we will be able to present to the creameries and to the general public some very pertinent facts regarding economic reasons why they should give more consideration to the economy of different methods of obtaining their cream supply.

Other investigations have been conducted for the purpose of ascertaining the difference in price that creameries receive for the butter produced from various qualities or grades of cream, shipped to the larger markets. As a result of this and other studies which we are conducting, we hope to be able to assist the creameries in establishing market grades for cream and in marketing butter.

Following that butter to the markets, we have studied the facilities and cost of transportation and the conditions affecting the butter while in transit to market. The lake and rail is a system of transportation of butter via Duluth, where it is shipped to Buffalo under refrigeration by boat, and from Buffalo by rail to the eastern markets. On one line of railroad in northwestern Minnesota, on which some 90 creameries are operated, it was estimated that a net saving in cost of transportation of \$25,000 a year would be possible if these creameries would avail themselves of the lower rates by the lake-and-rail route. In the butter markets we have studied the market distribution of the butter.

In the larger terminal markets, such as Chicago, New York, and some other cities, highly organized trade organizations, known as mercantile exchanges, have been formed by the wholesale dealers. These trade organizations, consisting of the wholesale receivers, have devised a system of butter inspection and standards of grades for butter. Creameries may be obliged to sell their butter according to the inspection system adopted in the markets by these organizations. The butter inspector in each market is employed by the local organization, and inspections are made only when requested by some member of the trade organizations and by the inspectors employed by the trade organizations.

It has been suggested and recommended that at the terminal markets or the large market centers official inspection should be provided by the Government, so that the creameries and the receivers may have this butter inspected according to a Government standard or grade which would be uniform for all the markets and impartial to all the interests.

During the past year cooperative investigations have been conducted by the Office of Markets and Rural Organization with the University of Wisconsin. These investigations were similar to those conducted in Minnesota.

Surveys of the butter markets of the South were made last summer. Upward of 90 per cent of the creamery butter consumed in the South is shipped in from northern markets. Many of the southern creameries need information about their home markets and how they may market their own butter in these markets. They need information which will tell them how they may cooperate with one another in forming marketing associations and how they may market their butter independently or cooperatively in the South.

Our investigations in marketing dairy products are not devoted to butter marketing alone, but also include the marketing of milk, cheese, and other forms of dairy products. There is a great demand upon our office now from various sections of the United States for assistance in perfecting organizations of milk producers.

In New England and New York there are many farmers who are going out of the milk and dairy business because they find it to be unprofitable.

Considering the situation there a moment and going back into the history of it, we find that in the larger cities health regulations have been established which have imposed conditions that make the establishment of pasteurizing plants necessary. The establishment of such a plant requires considerable capital, and the operation of a central delivery system for the distribution of the milk to the consumers in the city demands close attention to the details of the business. As a result of these conditions, many of the smaller dealers in larger cities were obliged to quit the business, and the milk-distributing business has been centralized in a few milk companies. The milk-producing sections in New England now may sell to a certain milk company which buys its milk along a certain railroad line, and at the stations where one company is buying other companies have remained out of the field, thus practically giving the first company a buying monopoly wherever it has established buying stations. The farmers complain that such conditions give each dealer a virtual monopoly. They desire an investigation to be made of the local conditions which exist, in order to determine what they may do to better their conditions, and whether or not there are any other means whereby they may be able to obtain a larger net income for their milk.

In a number of instances our office has been able to suggest to the milk producers a form of organization whereby they may organize in such a way that, when they are able to carry out the plans of organization, they may cooperate with one another in the purchase of feed, thereby lessening the cost of the feed supply for the cows and hence the cost of the milk produced. They may cooperate in securing the services of veterinarians in the tuberculin testing of their dairy herds, and they may cooperate through a dairy marketing committee in obtaining a uniform price agreement with dealers who buy their products or a price agreement which is more equitable and just for the marketing of their milk on the basis of its market quality.

There are other advantages of such an organization which may be beneficial, as, for instance, the improvement of their marketing methods and facilities.

We have given some attention in our work to the matter of cheese marketing. We are familiar with the success of a cooperative system in Sheboygan County, Wis., and of the organization of the cheese factories in the Tillamook Valley in Oregon.

In the Middle West there are problems in the marketing of cream. The dairy industry in the Middle West has developed rapidly in the last few years, and a large number of centralizing creameries have been established. The farmers there, desiring to get a higher price for their cream and make dairying more profitable in that way, and by an improvement in the quality of their cream, have established cooperative cream marketing associations. It is desirable that a study of the local conditions be made, including the form of organization that the farmers have used in these marketing organizations, the contracts which they have secured from the creameries to which they sell their cream, and the system of cream grading or rules which they employ there in the improvement of the quality of their cream, so that the success of those associations may become generally known and of use to people in other sections of the United States.

There are other phases of dairy marketing which I might discuss, but possibly some of the members of the committee have some questions to ask.

The CHAIRMAN. I would like to ask this question. Does this work of your section in any way conflict with the work of the Diary Division of the Bureau of Animal Industry?

Mr. POTTS. No, sir; we are cooperating in the closest way with the Dairy Division of the Bureau of Animal Industry. Their work in connection with the marketing of milk pertains to the matter of safeguarding the public health, the efficient pasteurization of the milk in the plants, and the ordinances of the cities for the furtherance of health measures. In our work we take up the matter of marketing and distribution of the milk from the standpoint of the costs incurred in the different phases of the marketing process. We are not concerned with the health regulations of the cities or the sanitary phases of milk production.

The CHAIRMAN. One line of work approaches the problem from the standpoint of health?

Mr. POTTS. Yes, sir; protection and safeguarding the public health.

The CHAIRMAN. And you approach it from the economic standpoint?

Mr. POTTS. From the economic standpoint, dealing with the cost of marketing and distribution.

Mr. HAUGEN. Could not that work be done in one bureau? Is it necessary to send two men to same point to study those conditions?

Mr. BRAND. We do not send one and the Dairy Division of the Bureau of Animal Industry another to do the same work.

Mr. HAUGEN. You send one and they send another?

Mr. BRAND. If they do, those men do not do or attempt to do the work we are trying to do. We borrow men from them. We have done that repeatedly. When they wish information in regard to the markets we furnish that information. We work in the closest cooperation and harmony, and I think Mr. Rawl would say there is no duplication.

Mr. HAUGEN. It seems to me that the work done by this gentleman and Dr. Rawl are quite similar. You have had men in New York State and so has Dr. Rawl, but you approach the subject from a different standpoint than Dr. Rawl. I was trying to find out whether the work could not be done by one man.

Mr. BRAND. That is a question of policy, and it seems to us, if you are going to develop an effective instrument for dealing with the marketing and distribution, that the fundamentals of that work should be handled by the particular division working on that subject and not by another division. Otherwise there would be no reason for having an office of markets, it seems to me.

It is possible to turn that kind of work over to other organizations and permit them to do it. We believe that the problems are all very closely related and that they are most effectively dealt with and will be, in the end, solved sooner and better if they are dealt with from the standpoint of marketing and distribution rather than from the standpoint of production, which represents two different points of view and two different points of approach.

Mr. HAUGEN. Undoubtedly the Office of Markets is doing a good work, and I am not criticizing its work. But if we could save a few hundred thousand dollars here and there, that may not seem much to you gentlemen, but it does to the farmer and the average business man. To anyone who has the enormous resources of the Government back of him, a few hundred thousand dollars does not look very big, but it does look big to an individual outside. If you can cut off a few hundred thousand here and there by doing away with a good deal of waste and duplication I believe it should be done. If it is necessary, let us have duplication, but it seems to me in many instances we might eliminate a good deal of it.

Mr. BRAND. As far as the wasting of the money is concerned, we exercise the very closest supervision and scrutiny. We do not allow any money to be wasted, and I think some of my men sometimes feel we are almost niggardly in our support of some of the propositions they bring to light. We are trying to get our full money value for every dollar we spend.

Mr. HAUGEN. I am not questioning the integrity of this branch of the Government in its wasting money.

Mr. BRAND. I did not so understand you.

Mr. HAUGEN. I have not questioned the integrity of any man in the department, but I feel it my duty, if I can call attention to certain things that I think can be improved upon, to do so, and I do not hesitate to do it. You people are enthusiastic over your projects. If you were not, you would not be entitled to the confidence of this committee. But you will make mistakes—you have made them. You have enthusiasm in your work. If you did not have it, you ought not be in the Government service. But if we can point out where we think improvement can be made and a few hundred thousand dollars saved here and there, I think it is our duty to do it. A business man with a good deal of experience said not long ago that \$300,000,000 could be saved in Government expenses. I think there is just as much waste of money in this department as anywhere else. I think there is duplication of work that could be avoided, and that is what I have been trying to get at. We do not expect you to abandon any worthy project. You are honest in the carrying out of your projects, we give you credit for that and admire you for it.

The CHAIRMAN. I think Mr. Haugen is entirely right; and, if these gentlemen can find any point where they can reduce the appropriation or combine appropriations and still get as efficient service as possible, they ought to do it, and the committee ought to try to do it.

I think it is not unfair to say, however, that the gentleman who made the remark that he could save \$300,000,000 in the conduct of this Government was in the Government service about 30 years as a Congressman and a Senator, and he made that statement in the last years of his public life. It shows how hard it is to guard against the spending of the public's money.

Mr. HAUGEN. It was Senator Aldrich who said that.

The CHAIRMAN. He did not bring about any saving himself.

Mr. HAUGEN. We know that governmental affairs are not conducted by business men or methods, and I take it they never will be.

However, if we could make a little start in that direction, if this committee could save a million dollars—and how easy it would be to save five—we would render valuable service.

The CHAIRMAN. We are in sympathy with Mr. Haugen's idea on that; and if we can find any place where we can make a saving, this committee will take it up; and I believe we would have the cooperation of the department.

Mr. BRAND. The cotton-warehousing item can be presented very briefly by Mr. Nixon.

The CHAIRMAN. We will be glad to hear Mr. Nixon.

STATEMENT OF MR. R. L. NIXON, IN CHARGE OF COTTON WAREHOUSING INVESTIGATIONS, OFFICE OF MARKETS AND RURAL ORGANIZATION.

Mr. NIXON. Mr. Chairman, in the cotton warehousing investigations we started with a survey of the storage situation in the South. When the work was undertaken I did not know what to expect, from the experience I had had. I knew that warehousing varied greatly in different sections of the country. We first made a survey of the situation, and I think it would be advisable to give a few of the results of that survey.

We would naturally suppose, in the first place, that the cotton warehouses would be located in the counties where most of the cotton is produced. As a matter of fact, that is not the case. The distribution of the warehouses does not correspond to the distribution of production.

It was supposed when we started that the aggregate storage capacity of the warehouses now in use was not equal to more than a small percentage of the annual production of cotton. We found that this was not true, for the storage capacity almost equals the annual production.

Another interesting conclusion at which we arrived was that as a general proposition cotton is not stored in order to protect it from damage—that is, from excessive moisture and other climatic conditions—but in many instances it is stored to enable the owners to borrow money on it. The banks generally will not advance money on cotton unless it is stored and insured. This makes it necessary for those who hold cotton to place it in the warehouse in order to obtain loans.

I think that there would be few warehouses in a number of States if it were possible to obtain loans on unprotected cotton on the same conditions that apply in the case of stored cotton.

With the general standards for warehouses recognized by the underwriters, the insurance rate is much lower than it is in a case where the standards are not followed. Notwithstanding this fact, there are comparatively few warehouses that conform to these standards. That means that in most instances the people are paying much more insurance than is necessary. We find in a good many places cotton is insured at 25 cents per annum on \$100 and in some instances as low as 10 cents on \$100 in value.

The CHAIRMAN. How much would that be a bale?

Mr. NIXON. That would be 5 cents a bale.

In many instances it is necessary to pay \$2, and frequently \$3, \$4, and even \$5 per annum is paid for storage. The rate is based on \$100 of valuation.

We can get a concrete illustration of the difference by citing a number of instances in Texas, where it is necessary for the owners of cotton to pay 15 cents a month per bale—that is, in the smaller places. In some of the larger warehouses where there is proper fire protection it is possible to insure a bale of cotton for 5 cents a year. This item makes a big difference in the cost of handling cotton.

The CHAIRMAN. Are you correct on the proposition that you can store cotton and insure it for 5 cents a bale?

Mr. NIXON. I do not mean that that would pay the cost of storage. That would pay the cost of insurance. In many instances the cost of insurance is paid by the warehouse company, but in many other instances the warehouse company does not carry any insurance on the cotton stored.

The CHAIRMAN. What would be the storage charges per bale?

Mr. NIXON. That varies as much as the cost of insurance. I should say about 40 or 50 cents for the first month, and 20 to 25 cents for each succeeding month. That is an average. It is less than that in many instances and more than that in many other instances.

Our work along these lines has shown very definitely that a standard uniform warehouse receipt is one of the greatest necessities. Many conferences with bankers who make a practice of lending money on cotton show that the uniform receipt is very desirable. Fortunately, over 30 of the States have a uniform warehouse receipt, but in order to encourage that work as far as possible it is our intention during the next year, acting in cooperation with a number of warehouses in different sections of the cotton-producing States, to show them the advantages of the uniform receipt, and also in cooperation with Mr. Taylor in the demonstration of cotton standards to show the value of the grading of cotton, and to show what additional value the receipt will have when the correct grade is stated on the uniform receipt.

We have just made a small beginning in that line of work this year. We feel that it is very promising and hope to make several demonstrations during the coming year.

In very close connection with that line of work, we hope to follow up the work of Mr. Kerr and in cooperation with him devise a standardized system of accounts to be used by the warehouses. This work is not very necessary for the large warehouses, because they have their business well systematized, and they can get along very well without any assistance. But there are a large number of small warehouses in the producing areas with no system of accounts at all. In some of the towns you could not recognize the receipt for a bale of cotton unless you happened to be familiar with the form used.

Another line of work in which we have made a small beginning is to determine the feasibility and advisability of gin sampling. It is universally recognized that there is great waste from excessive sampling of cotton. The bale is frequently sampled many times from the time it leaves the producer until it reaches the consumer.

In Texas there is in force a law which requires the ginner to take samples from the bale of cotton before the covering is placed on it. Many of the cotton men claim that it is impossible to grade the

cotton satisfactorily from these samples. There are other people, however, who contend that it is entirely practicable, and some of them do grade in that way. But the gin sample is not universally or even generally accepted.

Our work in Texas leads us to believe that there are interesting possibilities along this line, and we are particularly anxious, in co-operation with Mr. Taylor, to make a thorough study of the practicability of grading by gin samples, which would eliminate much of the waste that results from present practices.

Another line of work I am particularly anxious to follow during the next year is to make a number of tests to determine the actual value derived from the storage of cotton. This work will require a number of experiments with cotton that has been properly stored and with cotton that has been subjected to adverse climatic conditions.

The annual loss from improper handling of cotton has been estimated at from \$30,000,000 to \$75,000,000. I do not believe any person is in a position to say what the average loss per bale is, and it seems to me that a number of tests should be made to determine the loss in actual value now sustained by cotton as a result of inadequate protection.

That completes what I have to say.

The CHAIRMAN. We will take a recess until 4 o'clock.

(Thereupon, at 2 o'clock p. m., the committee took a recess until 4 o'clock p. m.)

AFTER RECESS.

At the expiration of the recess the committee reconvened.

The CHAIRMAN. In the absence of Dr. Brand, whose engagement at the Trade Commission has detained him, I would like to ask Dr. Sherman to take up item 40. "For collecting and distributing, by telegraph, mail, and otherwise, timely information on the supply, commercial movement, disposition, and market prices of fruits and vegetables."

I will ask you, Dr. Sherman, to give the committee some idea of what you propose to do under this item, with respect to your own work.

STATEMENT OF MR. WELLS A. SHERMAN, IN CHARGE OF MARKET SURVEYS, METHODS, AND COSTS, OFFICE OF MARKETS AND RURAL ORGANIZATION.

Mr. SHERMAN. Mr. Chairman, as you know, this item grows out of the market-survey project—that is, the item of market surveys, methods, and costs, for which there was allotted about \$50,000 this year. That item has been reduced to \$35,000 under miscellaneous items, which we have been over before, a lump-sum reduction of \$14,000; and this new item has been inserted to cover this particular activity, which has been developed to the point where the committee must decide whether we are to inaugurate a constructive and permanent piece of work or whether we shall pass it by merely on the strength of the information that we have obtained, with the mere statement in the record as to the practicability of such a project.

I presume the committee will remember that this matter has been under discussion in one phase or another for some five years. I think as long ago as five years there was some discussion about the feasibility of creating a division of markets in the Bureau of Statistics, as it then was, and the question has always been as to the practicability of furnishing to the producers and shippers of perishable products information which would be comparable to that which is furnished through the regular machinery of the Government, which has been in operation a long time on the staple crops, such as cotton, grain, live stock, etc.

It has been understood from the beginning that a service carried on by mail and by voluntary reports would not answer this purpose—it was too slow. In the discussion, the feasibility of the thing was considered and the possibility of securing telegraphic reports from the markets to be consolidated in Washington and redistributed, with such machinery as might be determined upon, to the shipping areas for perishable products. A great many objections were made and fears were entertained that that would only exaggerate the undesirable conditions which existed, in that people would ship by the wholesale to those markets which happened to quote the higher prices at the moment, which would simply result in shifting the glut from one point to another, and that the department would reap a great harvest of criticism.

So, as you know, that proposition has been discussed and rather side-stepped until within a year. About a year ago we took this matter up. I was not present at the hearings, but Mr. Brand discussed with your committee the propriety of putting several thousand dollars into an experiment to demonstrate the practicability of handling that sort of a service. We think we have made that demonstration, and we are now suggesting that the committee make this appropriation to put this work definitely on its feet.

I would not have the committee misled as to what this means. It means, we think (you may make all the allowance you see fit for my enthusiasm), the beginning of a service which once instituted on this scale, will never be withdrawn. I think after a year or two there will be no more consideration of discontinuing this service than there is of discontinuing the regular crop reporting service of the Bureau of Crop Estimates, or discontinuing the weather service. Of course, it will never be as large a service, nor a service involving as much money or as many people as the weather service; but in talking to people out in the field we find they are more inclined to compare it with the weather service than with anything else.

In the first place, Mr. Chairman, there is no reliable information concerning the quantity of perishable products nor concerning the movements of those products, and such reports as we have do not emanate from reliable sources. There are no official boards of trade dealing with these perishable products that publish reliable statistics.

Some of us know how the newspaper figures on prices are secured, and I might say right here that one of the most substantial compliments that has been paid this service this year was the effort made by one of the great commercial papers in one of our largest cities to hire away from us, at the conclusion of our service last fall, the representative that we had in that market, because he had been able to get a better line on the market than their own representative could. We

think when the trade comes after us to get our men that we are getting somewhere.

Mr. HELGESEN. It indicates that the service is worth while and that the men are up to their jobs. Is this the same service that has been promulgated by the fruit associations of the Pacific coast?

Mr. SHERMAN. The fruit associations have been able to do some of this work for themselves. Of course, their association does it for its own benefit and the benefit of its own members, and does not publish its information. The citrus people, of course, have a peculiar problem. They have an all-the-year-round problem for their marketing association, and they have to keep in operation all the season, because they have something to sell continuously. Their situation is different from that of any other body of producers of perishable products.

The CHAIRMAN. Does that account in large measure for the success of that organization?

Mr. SHERMAN. I think so.

Mr. RUBEY. Have you any way of ascertaining what it costs that association to carry on its work along the line of use of the telegraph?

Mr. SHERMAN. The statement has been made that it costs that association between \$60,000 and \$70,000 a year for its telegraphic tolls alone, and the statement frequently goes out that that is the cost of their news service. In conference with Mr. Powell in his office, however, I learned that that represents their telegraphic cost—the cost of the telegrams that would come to them anyway in large measure in reporting their sales. That is to say, when a carload of oranges is sold by one of their representatives in any of the larger markets, a telegram comes back immediately saying what that car sold for, and that is the greater part of the market information which they distribute to their members. They would have to pay for those telegrams anyway, in order to keep track of their business. So that it is not strictly correct to say that they pay \$60,000 or \$70,000 a year for their information service; but they have a telegraphic expense of \$60,000 or \$70,000 in connection with their regular business, which gives them this news.

Mr. HELGESEN. Do you intend that this shall take the place of their service, and to include them with the rest of the country?

Mr. SHERMAN. Thus far we have not touched the citrus fruits at all, and do not contemplate doing anything with the citrus fruits during this coming year.

Mr. HELGESEN. I am speaking of the time when you finally get this perfected. Do you then intend to have it cover the whole country and to take the place of the service of the Citrus Fruit Growers' Association?

Mr. SHERMAN. If it were a perfected service, and if it were extended to cover all the perishable fruits and vegetables, there is no doubt we could render the California fruit growers a better service than they are getting through their own service to-day.

Mr. RUBEY. Mr. Chairman, I think your question during the informal discussion ought to go into the record to the effect that Mr. Powell left the department because he could get a very much increased salary. I think that part of it might well go into the record.

The CHAIRMAN. The point I wanted to bring out with the question was that the news service to the citrus interests is considered so valuable by that interest that they are enabled through the profits of the service to pay this very large salary to their managing director. That is the point I wanted to bring out.

Mr. SHERMAN. That point is very well made. There is no doubt about that.

The CHAIRMAN. Go ahead, Mr. Sherman.

Mr. SHERMAN. It is very difficult to say just how much money we have put into this proposition this past season. As Mr. White explained to you, the transportation section has spent a good deal of its time in helping us to make our arrangements with the railroads. Our men have worked a part of the time on this market news work, and a part of the time they have worked on other problems in connection with the general market survey; and it is very difficult to draw that line. But I should say that we have spent on this work, in the total investment of energy, something like \$40,000.

If it is to go on, it should begin by the first of April. We should man our markets and should begin to do some work by the 1st of April. It is not a proposition, of course, which runs by the fiscal year; that is to say, the new fiscal year catches us just at the crest of this work. We are carrying just about our peak load on the 1st of July. A number of perishable crops are moving and require telegraphic service, and we are reporting in the latter half of June about as many crops as at any other period of the year.

Mr. HELGESEN. Just what do you do in that service?

Mr. SHERMAN. I will explain to you just what is necessary. I will give you an outline. We promised Mr. Haugen that at this point he should know just exactly what the valuable service is that the railroads render and who gets the benefit of it. I presume we shall have to go over that again if Mr. Haugen comes in. In the first place, if we are going to have any news to give out, we must collect it, and you must have a certain amount of machinery for that purpose. It is necessary, if we are to have disinterested reports from the markets, and reliable reports that will command the respect of the trade, that we have our own representatives in the market.

I want to say right here that these estimates do not contemplate the complete manning of all important markets with our own representatives this year. That would call for an amount of money which we do not think proper to ask for until the second year's estimate for this work. But eventually we shall have to have our own representatives in at least 25 or 30 of the principal markets in the country, and more than half of that number will have to be all-the-year-round offices if this is made a complete service for fruits and vegetables. Perhaps in half that number we can get along with a service of six or eight months.

That gives us a force of men from whom we can get the information to assemble in Washington to give the producer a correct line on prices.

In order that we may get from the commission merchants fair treatment—in order that we may have sympathetic cooperation in the markets and not degenerate into a detective agency—we must have something to give the trade in these markets. The trade in Chicago knows pretty well what is going on in New York, Buffalo, and the

other big markets, but the trade in Chicago, New York, and all the other cities is vitally interested in knowing of the crop movement. They have never had any reliable report of crop movement of perishables until this last season; our reports were not complete, but they were the most nearly complete that had ever been made.

We have arranged with the railroad companies, as Mr. White explained to you, covering the greater part of the mileage of the United States, for telegraphic reports such as they furnished us last year. In fact, we found that every road from whom we required the information gave it. They agreed to give us every night, through their district superintendent or other officers having the information, a night telegram, which comes to us at Government rates, giving the movement of perishable products, by commodities and by destinations, as originated on their lines during the preceding 24 hours. The express companies do the same thing.

Last year, as you know, we followed only four crops—strawberries, table tomatoes, cantaloupes, and peaches. We did not attempt to go into the less-carload movement last year.

That means that we open our office at half past 7 in the morning, instead of 9, as most offices open. We have our telegraphic installation right in our own rooms. We have our own telegraphers there, and for outgoing messages we get direct service to the markets without any relay in Washington.

It means, as I said, that at half past 7 in the morning our telegraphers begin to take business off the wires. At the same time a sufficient number of clerks report to begin the tabulation of this telegraphic news by States and by different shipping areas as they are received. We always have a sufficient force of telegraphers, so that before 9 o'clock we have cleaned up the Washington telegraph offices. The night letters have all been transmitted to us; they have all been run off, making several copies on the typewriter, and have been distributed to the clerks who are to work on them. Each telegram, of course, gives the quantity of peaches, cantaloupes, and all the other commodities moving. The number of cars of each of these commodities has to be tabulated separately.

Then, by a few minutes after 9 we are ready to put that information on the wires, and just about 9 o'clock we begin sending it to every market in the country where we have a representative. We send it to our own man and he distributes it. Where we have no representative we send it to anybody sufficiently interested to pay the tolls. Of course, we can not distribute that information to individuals at Government rates; they have to pay regular rates on those telegrams if they get the information direct from us.

We send that information to anybody who wants it. It is free public property the minute we have it tabulated. The newspapers can get it; anybody can get it who puts his name and address on record with us, by means either of collect day letter or by the direct message.

We manned these markets with temporary employees, by assigning a few of our men to some of the larger markets, and by various methods, which I will explain to the committee in detail. The scheme is that our men in the markets shall be out just as early as it is possible to get the run of wholesale prices. In some cities that means 3 o'clock a. m. In other cities it is as late as 8 or 9 o'clock before the

market settles down. Our men also call up the railroad officers and get the record from the team tracks as to the exact number of cars of these specific commodities unloaded.

By 10 or 11 o'clock in the morning in Washington these telegrams are coming in from the markets. By the time we have sent out the wire giving the information from the shipping districts, which we get from the railroads, our information is coming in from the cities. That, of course, is in considerable detail; and it is sent to us at Government rates, but not night-letter rates. The Government night rate is just a little cheaper than the day rate. For our market reports we are developing a code, which, after we inaugurated it last summer, saved us about 25 per cent on our telegraph bills. We are going to develop that code a little further this year, so that we can pretty nearly double the amount of information that can be sent. We can probably handle at least six or seven crops for the same amount of telegraphic expense that we could handle four crops for last summer.

Those messages from the markets are received by 10 o'clock in the morning; by that time we should have all of them in.

I might say here that eventually, if this service is to be as prompt as it should be, we will have to have Pacific coast headquarters. We can not assemble all this information in Washington for release at a special hour, because of the difference in time, but we can get the markets as far west as Omaha and Kansas City reported to us so that we can assemble, digest them, and have that information consolidated into big blanket wires ready to release at half past 11 in the forenoon.

That information, then, is wired to anybody whom we have representing us in the producing sections, for free distribution within the territory that is within his reach. This information is wired in whole or in part to any shipper who wants it; the information from the specific markets that he wants, the specific products that he wants in whole or in part. We were able to do that last year, because this was not so widely advertised as to overwhelm us with orders. I am not certain that we could do that eventually. We would probably have to furnish certain fixed messages, giving the quotations for certain commodities and certain markets, and the man would have to take this message or that message or this other message, because of the clerical labor involved in making up so many different telegrams and the practical difficulty of getting them all out over a limited number of wires within the required time.

The CHAIRMAN. Did you consider the proposition of confining this information for the producers to such producers as have organized themselves into selling associations?

Mr. SHERMAN. That would be a matter of policy that I think the committee or perhaps Congress should lay down for us. My own feeling has always been that any information that the Government made public would have to be absolutely public.

The CHAIRMAN. I have two ideas involved in that question. I have not settled it in my own mind. One is that it would be very much less expensive, in the first place, but, more important than that, it would tend to create a spirit of cooperation and organization among producers, which is a very important matter in the economic distribution of farm products.

Mr. SHERMAN. There is no doubt that the individual, small producer is not in position to make the best use of this information. The man who can make the best use of the information is the man who controls carload quantities and who also controls numerous shipments and can put them where they ought to be put.

The CHAIRMAN. I have another idea in my mind on this proposition, and that is that these telegrams and information might be disseminated very widely through a given territory through the county agent.

Mr. SHERMAN. Yes, sir.

The CHAIRMAN. Have you studied that phase of it?

Mr. SHERMAN. Yes, sir. We had a county agent in the western part of New York who distributed to that fruit section, at least within his own county. We had one or two county agents on the eastern shore of Maryland and Delaware. I am not certain as to the exact place; possibly both were in Delaware, and I believe one in New Jersey. We also sent it for a short time to one of the county agents down in the strawberry district of the Carolinas.

Mr. HOWELL. What is to prevent you sending out that information through the Associated Press?

Mr. SHERMAN. They are welcome to all of it that they will use; but the Associated Press did not use very much of it last year, because it dealt with minor products, and the Associated Press would not give space to it.

Mr. HOWELL. I recall that the Weather Bureau has, through negotiation with county and local papers, been able to circulate their information without any cost.

Mr. SHERMAN. And a good many local papers used this information last year in certain areas.

The CHAIRMAN. I think the suggestion of Mr. Howell is worthy of your consideration.

Mr. SHERMAN. It is.

The CHAIRMAN. And I have an idea, when your service builds up as the Weather Bureau has built up, that probably the press will take to it as kindly as they do to that service.

Mr. HOWELL. I should think it very important information.

Mr. HELGESEN. It would be free information over the wires to the newspapers, or I doubt if they will ever carry it.

The CHAIRMAN. The weather reports are a more general proposition, but the newspapers have got to run very largely according to the demands of the public.

Mr. SHERMAN. I think certain newspapers will carry this information for certain periods when certain products are of great importance to their subscribers. One of the papers in New Jersey paid for daily service. They told us which markets they were interested in, we made up a special wire, and they paid for it.

It is diverging just a little bit from the story, but one of the possibilities is this: One of the important daily papers of Chicago gave very generous space to this information for weeks when we were reporting the strawberry movement, and they went so far as to say to our representative in Chicago that "whenever the Department of Agriculture is ready to take a certain space in our paper and tell the consumers at Chicago what they ought to know about the food sup-

ply—what is coming in, where it is coming from, what the quality is, when prices are the lowest; in short, the market information that they ought to have—we are ready to set aside the space for your use.” Thus, a leading Chicago newspaper gave us an opportunity for service which we were not ready to accept.

Mr. HELGESEN. Is it your policy to tell the consumers when the price will be the lowest or to tell the producer when the price is going to be the highest?

Mr. SHERMAN. Our policy is to publish the facts; that is all.

A good many times during these hearings we have been asked, “What do you do in that case?” The committee must not forget that we have not been authorized to do a thing but secure information and make it public; we have not been commissioned to formulate a policy, but only to get at the facts.

Mr. HOWELL. As far as your experience goes, whom have you found most anxious to get this information—the producers or the commission men in the great cities?

Mr. SHERMAN. That will be a hard question to answer. Our men have been received with open arms at both ends of the line. There has been only one important city in which we have found an attitude of indifference—rather marked indifference—on the part of all the commission men; and we have had just one letter in the whole season from a man, who pretended to represent the growers, who said that in his particular case we had done him an injury—just one letter, against a hundred or more I could put before you on the other side.

Mr. HELGESEN. I was wondering whether it was going to be run along the line of the Citrus Fruit Growers’ Association, because, as I understand it, they have a headquarters and every man who ships a carload of citrus fruit notifies the office that he has shipped to a certain point; and the manager has the authority, if he finds that carload is going to a place where the market is glutted, to deliberately switch it to another market.

Mr. SHERMAN. I do not think the central association has such power.

Mr. BRAND. The central association does not have the power to control shipments or prices. Under the antitrust law they must be controlled by the primary organization, which is one of the 113 which are united in the subcentrals or district exchanges and finally into the exchange which controls the distribution of information.

Mr. HELGESEN. Who distributes such information?

Mr. BRAND. The information is communicated back to the local association, and the local association manager directs what he wishes to do.

Mr. HELGESEN. Are you going to plan this thing along similar lines so that, if I shipped a carload of vegetables or fruit to a certain market, you would tell me to-morrow morning that my car is going to a glutted market, and I could have it shipped to some other point where there is less fruit?

Mr. SHERMAN. There are often a great many cars of peaches reported shipped from a single State, and the destinations are given to us by the railroads. You will understand, of course, those destinations will be very much modified by subsequent diversions. It is

practically impossible for us to keep track of all the diversions that are made, so that we here in Washington could tell just how many cars would arrive in each city the next morning, because, if you are going to report in detail the movement of cars, you must report not merely the number and where destined but the initials and number of each car—for instance, A. T. & S. F., No. 678910, to Milwaukee. Every time you report a diversion you must report the full name and number. Of course, our telegrams would reach into hundreds and thousands of dollars if we attempted to do that. It is almost impracticable.

We can, however, put our men at the gateways—the diversion points which are well recognized—and get the distribution from those points. For instance, in the reports of shipments from down the Atlantic coast you will find a very large proportion consigned to Potomac Yards. We call up the Potomac Yards and get the shipments out of the yards, and then we can tell you whether the commodities are going to Pittsburgh, to Buffalo, or to Boston.

Mr. HELGESEN. This brings us to a cooperative concern, as Chairman Lever says. They would also have an organization and at the head of that organization would have some one who knows how many cars per day can be consumed in each of the cities shipped to, and if they find more than a normal amount going to a place they will switch it and divert it to some other market. If they shipped it to an individual owner or furnished information to an individual owner, it would be almost impossible for him to have in mind the consumption in all the various cities of the country, and, unless he knows that a certain number of cars going to a certain city will overstock that market, the information will be of no value to him. There has got to be something else to show him that, if the car goes where shipped out, it is going into a glutted market; and if it does not accomplish that it is of no benefit to him.

Mr. SHERMAN. In other words, you think that if this information is to be of any benefit we must have, first, the measure of the consuming capacity of the different markets?

Mr. HELGESEN. Yes.

The CHAIRMAN. And that leads me to inquire just what information you are going to furnish the producer or the selling association each morning. First of all, I take it that it will be necessary for you to furnish the consumption in the market to which he ordinarily sells; and, second, the movement of cars in that direction. I want to get your view of that. Just what information in detail would you furnish the producer and the selling association?

Mr. SHERMAN. We would furnish him a statement of the number of cars. That is all we have provided for thus far—to furnish a statement of the number of cars from every producing district during the preceding 24 hours, with their destination, and to furnish him with the number of cars received at every market where we are represented, with the prices at which they are selling. In addition to that, we can furnish him with a certain amount of information as to the number of cars which have been diverted from a number of the important gateways. For instance, a large number of western cantaloupes are consigned to Kansas City and to El Paso for diversion. It is not known what the final destination will be, but we can get

the diversion, which with reference to the Southeast can, in large measure, be obtained from the Potomac Yards and will tell with approximate accuracy which northern markets they will reach. The next morning we say so many cars of western cantaloupes have been diverted to Chicago, New York, Philadelphia, and Buffalo from El Paso, Kansas City, or other diversion points.

Mr. HELGESEN. All of which is good as far as it goes. However, daily, weekly, or semiweekly advice should be furnished to the individual producer who wants the information of the consuming capacity of the various cities to which these commodities are shipped. Then he has something he can compute with and be guided by.

Mr. SHERMAN. Five years from now we can do that. We have made our first investigation this year. There has not been one investigation that would show how many cars of any one of these perishable commodities any city consumes. Mr. Brand told you, in discussing the market-survey item, that we had discovered this year where St. Louis consumes less than 2 quarts (1.3 quarts) of strawberries per capita; Boston consumes 10.

Mr. HELGESEN. You take, for instance, going as far west as where I live in North Dakota, Grand Forks and Fargo are the two gateway cities of the State. Those cities themselves can not consume their entire receipts, but it is an outlet to the actual consumers in all the villages of enormous amounts of fruit.

Mr. SHERMAN. Yes.

Mr. HELGESEN. You ought to know how many cars those cities can take care of and distribute each day, because that is what makes the market. If those cities get more than their customers can handle, all over the State, there is a glut.

Mr. SHERMAN. Absolutely.

Mr. HELGESEN. And this proposition, it seems to me, would not be very difficult to handle.

Mr. SHERMAN. This is just the difficulty: We can get that if we will put a man in the office of the railroad company, and every railroad company has opened its offices and its books to us so far. We have done that thing in 20 of the largest cities of the country after we got these very interesting figures from Chicago and Kansas City last year. During the past two months we have had four or five men on the road doing that, going to the books and getting the actual number of carloads unloaded in these cities. I presume any of the roads have records which we could dig into, and by putting a man on them we could go back and get the number of unloads for a period of years. We can also get the number of cars diverted out. But it has never been compiled in that form.

Mr. HELGESEN. I do not think that would be the best information. You take it in these cities I speak of, which are just samples of hundreds of others in the United States.

Mr. SHERMAN. Yes.

Mr. HELGESEN. The commission men know now and can tell you in a very short time how many carloads of fruit they handled every day last year. They will handle practically the same amount next year. It may vary a little. They do not unload them always, because they have points at which they will ship a carload to be distributed a little farther away. They do that because it is the

economical way. Yet they can tell you how many cars and where consumed every day.

If you will look at last year's record, it will not vary much. So you have a pretty good average, and I do not think you ought to wait five years to give any such information as that, because if you do not get it the rest of your work is going to lose a great deal of value.

The CHAIRMAN. You are investigating it in 20 cities now?

Mr. SHERMAN. We have that for these four products.

The CHAIRMAN. It seems to me that Mr. Helgesen's idea is correct. Of course, I think the committee recognizes the fact that it would be almost impossible to get the consuming capacity of every small town; but there are certain distributing points, like the Potomac Yards, for instance, for a great territory here, or like St. Louis, for a great territory in the West and Middle West. It does not seem to me it would be a very great task. It may be a big task, but not too great for this Government to undertake, to find out the consuming capacity of these distributing points, and if that information was brought back to the producer, in addition to the other information that you have mentioned, it seems to me you are working along pretty good lines.

Mr. HELGESEN. And it seems to me that is information they could furnish when the season starts and put it in circulation by mail. Then when he should get the other information, taking the chart, he would say: "Last year this city consumed 15 cars; 30 cars are going there this year," and he immediately has something on which to base his action; but if he does not know anything about the consumption it is meaningless.

The CHAIRMAN. That is perfectly correct.

Mr. HOWELL. It seems to me the whole system needs correcting. It is too much of an imposition upon the producer to ask him to take all the risks incident to the production of the commodity and then impose upon him all the risks incident to the marketing of it. Is it not possible or practicable to devise a system so that these perishable products will be bought by the men who are to distribute them, and let them take their own chances on the market?

Mr. SHERMAN. This is opening up a very far-reaching question and one which does not deal with the particular purpose of our item.

Mr. HOWELL. It is a condition by which the seller could dispose of his product at the time of shipment and be done with it, and, if that could be brought about, you will have accomplished a very great deal in the way of marketing.

Mr. BRAND. Mr. Howell, we are studying the question of f. o. b. sales, the question of consignment, the question of selling at auction, and all of the various methods of sale. It is a system which has grown up through many, many years, and whatever change we bring about in it must be brought about very gradually. It can be brought about by the service we are able to render these people in the ways that Mr. Sherman is explaining. Assistance brought to people enlists assistance on their part; get them lined up and they help us.

Mr. HOWELL. There are evils all along the line.

Mr. BRAND. We have found a great many evils. I am of the opinion that the commission man is quite as honest as other men, but he is under very much greater temptation.

Mr. HELGESEN. That is a very diplomatic way of putting it.

Mr. BRAND. As a specific reply to Mr. Howell's suggestion: Two years ago Utah had a very large peach crop. In ordinary years, or in years of small production, cash buyers come to the production sections and take a large part of that product. The same is true of the Colorado territory, and it is true of the boxed-apple territory.

The next year the crop was exceedingly large and every one of those cash buyers, who buy f. o. b. production point, stayed at his home in Chicago or elsewhere, the producers who were depending upon them being left in a very sad way. In other words, we need a great many strings to our bow in order to move the crop.

Mr. HOWELL. Peaches were abundant.

Mr. BRAND. Fifty-five carloads went into St. Louis in one day, and practically all of them were dumped into the river. The Missouri Pacific Railroad, I have been told, is still trying to collect the freight.

Mr. HOWELL. They would not have gone to St. Louis if it were not for this commission system.

Mr. SHERMAN. Let me just give you the general picture of this service. I did not quite finish describing the machinery.

This service, to be effectual, should be manned so that we will have our own representatives in all of the important markets. We must have reports from all the common carriers. We must have our own representatives in the important shipping areas, one by one, as they come on the market, to take our information home to the man who needs it most. Our information has been welcomed by the producer very largely in proportion as we have been able to put a man on the ground near to him to give him this information day by day and twice a day.

I will go to the map, if I may, for a few minutes and show you just where we have had men this summer and just what territory they have served.

That force of men, of course, must move, and each one can form a distributing center for certain territory around him. At these points of heavy production and heavy shipment you have a certain number of buyers who have come there representing firms in the larger markets—the distributors, etc. These men have their confidential information on prices in the different markets; they are quoting prices to these different markets, trying to buy and to sell. A large number of them have a very decided option in the selection of markets to which they will ship.

It is not always true that a commission firm wants everything to come to its own home store. There are big commission firms in Chicago and in Pittsburgh who are in the distributing business and who contract for the marketing of vastly larger quantities of perishables than they can possibly handle through their own home houses and who distribute these products that they can not handle themselves to commission merchants in other cities with whom they have business relations.

These men all have confidential information, and you have at these heavy shipping centers this state of affairs: A man is buying who has information which will be invaluable to the man who is selling, but the man who is selling has no access to it. The man who has the information has every inducement in the world to keep it from the man who is selling.

Our service has put the buyer and seller on an equality in those places where we have been able to put our own representatives to see that the information went upon the bulletin boards and was telephoned up and down the producing districts and gotten into everybody's hands.

The result has been that in one or two cases the buyers on the ground were decidedly offended at us. In a very few days they found that we had a better line on 20 markets than they had, and they have been right on the spot for every bit of information we have had to publish. They have been waiting at the bulletin boards for the bulletins to go up.

There is another essential: We must have this force to cover the producing territories one by one as they come on in advance of the beginning of the crop movement. We should be able to give the trade warning a week ahead of the beginning of the movement as to how the shipments out of the Hammond strawberry territory bid fair to compare with the shipments last year. We should be able to tell this heavy producing territory whether they are a few days ahead or a few days behind this year as compared with this other producing territory which normally competes with them in the market.

We should be able to tell the markets that the movement will be a week earlier in this place [indicating on map] than last year, and we should have some fairly accurate estimate of the extent of the damage in areas where there has been a frost. We should in every way possess ourselves of the up-to-the-minute information that can be secured by telegraph and by personal visitation, which is not available at the present time excepting as trade papers may get it from interested parties and distribute it as they please and which can not be handled through the ordinary crop-reporting machinery of the department—that is to say, the crop-reporting machinery of the Bureau of Crop Estimates, which deals with acreages and with conditions as averaged by counties and by States.

This perishable-product proposition is one of definite locality. These localities run right across State lines. They are not bounded by any of our arbitrary political lines. The Carolina strawberry district runs straight across the line from North Carolina into the northeastern part of South Carolina. This is a proposition to be put on the map, both figuratively and literally, and we are "putting it on the map." There is a big peach territory, as you know, in southwest Missouri, north Arkansas, and running over into Oklahoma.

Our California cantaloupe industry is centered on the Mexican border and then again up to Turlock. We have here in Nevada a definitely centralized cantaloupe district. We have here on the Pecos a cantaloupe district which shipped 100 or 200 cars in 1914 but none last year.

The CHAIRMAN. Mention the work in Texas.

Mr. SHERMAN. We found last year, when we had a man at Jacksonville, Tex., and a man at Crystal Springs, Miss., during the tomato movement, that these two districts were as much interested in knowing what was happening in the other as they were in knowing what the prices were at Chicago, St. Louis, or anywhere else.

The Jacksonville people were trying to sell f. o. b. and trying to get away from the consignment business. They had a lot of buyers in Jacksonville, and the thing they wanted to know was what the

folks in Crystal Springs were getting f. o. b. One of the struggles we had was to be able to give these folks honest information as to what was happening in the other territory. We were told point blank here in Jacksonville, "You must not quote our tomatoes at 20 cents f. o. b. Jacksonville. We are quoting these tomatoes to buyers in Chicago, Buffalo, and the Northwest at 25 cents f. o. b. You must not quote 20 cents."

The answer was, "You are selling at 20 cents."

"These firms put their buyers in here and placed money in our banks; they are buying right here from us and are entitled to the 5 cents off. We are selling here for 20 cents, but we are quoting 25 cents."

That is the situation we are up against. This question of quotations is not any more honestly handled by the producer than by the man at the other end.

On the other hand, these people at Jacksonville positively refused to believe that the people at Crystal Springs were getting the prices for their stuff that we were quoting. I came back through this territory myself, on my way from the cantaloupe district in California, and visited our Jacksonville representative. I had another man with me; and we went over the situation thoroughly and found the discontent voiced there over the information we were getting from Crystal Springs. I had this other man go over and visit our representative at Crystal Springs. He found him going right to the books and getting the actual facts. He went right to the records of shippers and was quoting what they were getting. Crystal Springs was doing better than Jacksonville, and there was a reason. They had much better distribution, for one thing.

In that respect we may say that the f. o. b. selling does not always accomplish what it is supposed to accomplish. Your f. o. b. selling gives good distribution just so far as you have a wide territory represented at the buying point, but, if you have a large quantity going out under the control of the shippers, distribution can be controlled very much more effectively.

Mr. HELGESEN. But, if you had a cooperative concern covering all the cantaloupe districts of the country, they would benefit by selling, would they not?

Mr. SHERMAN. Theoretically, if you combined all these separate districts and have all their business handled through one clearing house, they could do it. But I think we may say without any hesitation that it is a physical and economic impossibility to have one organization of cantaloupe growers which will include South Georgia territory, the east Texas territory—which is not so very important—the new district opening up in Alabama this year, the Imperial Valley—which has the market all to itself—the Salt River Valley, the Turlock district, and Rocky Ford, Colo.—a district which comes in among the latest. We have southeast Missouri, a little in Oklahoma, a very heavy district in Indiana; the North Carolina district, centering at Laurenburg, and then jumping from there to the Norfolk section; then coming again to Delaware, and, to a small extent, up in New Jersey. Can we imagine those cantaloupe growers, many of whom have other crops as their principal interest, forming an organization?

Mr. HELGESEN. I would not imagine they would form that way. I would think, if they formed those districts that come on to the market practically at the same time—and that varies a great deal—you would have separate organizations for the different districts marketing about the same time.

Mr. SHERMAN. That is my idea of the way cooperative organization in marketing is to be worked out. We may have a number of organizations shipping at the same time to naturally the same markets, and through our news agency the associations in different parts of the country will be able to so handle their own distribution that they will not unnecessarily interfere with each other.

Mr. STEELE. You would also be encouraging a trust, would you not?

The CHAIRMAN. That is excepted under the new trust law.

Mr. SHERMAN. Can you imagine the possibility of forming a trust in perishable products that rot the day after to-morrow? There is another essential that I want to emphasize. We can not handle this proposition simply by having a number of men in the markets and a number of men in the producing sections. We must have some of those men in Washington, and you must not ask us to handle the Washington work with clerks at salaries of \$900 to \$1,000. We must have men in Washington who know something about these products. We must have men in Washington who know something about the railroads, who know the locations of the lines of western roads and northwestern roads the minute they hear those names. They must be practical railroad men so far as knowledge of the territory served by every line in the country is concerned. They must also know something about the markets. They have got to be able, eventually, to get out every two or three days here in Washington a general news release on the movement of each of these important crops which will be so interesting and so valuable that the Associated Press and the United Press will be glad to run it. When we can cover enough of the vitally interesting things to make it worth while, we can get publicity.

But somebody raised the question—I believe Mr. Steele raised it—about the proportion of this money spent in Washington and out of Washington. The proportion of this \$136,600 that is spent outside of Washington will be very large, but there will be a certain permanent force in Washington, which will be rather large, and it will amount to at least three persons for every crop handled telegraphically. The physical conditions under which these things are to be handled in the morning, with reports coming in for 10 different products, will require us to have approximately 40 people on duty at the same minute to take care of that information.

The CHAIRMAN. You have got to pay high salaries to these men.

Mr. SHERMAN. We have got to have some men in Washington who know business—men who know something about the markets in the United States.

We have had very little trouble with respect to the personnel. Somebody on the committee raised the question the other day about the assistance rendered by the Civil Service Commission. I might say that I served seven years on the examining board handling agricultural examinations very largely, and the rules of the commission

are such that they never require you to take incompetent men, even in such a matter as getting suitable clerks for these market places, where we want our man to know what the market is and to be capable of going out and ascertaining the market prices. I have already taken the matter up with the Civil Service Commission in a preliminary way, arranging for a special examination at from \$1,000 to \$1,400, in which we will make it a prerequisite that the man have a commercial knowledge of stenography and typewriting, without necessarily being able to pass an examination in that, and that he shall have had a year's experience in this line of work. Then, taking that as a starting point, give him a set of practical questions covering marketing and distribution; bring out his knowledge of fruit and produce; and let him write a little discussion on some phase of the question which will show that he can do good clerical work. They will hold that examination and give us just the kind of clerks or technical men we need. And, personally, as one whose duty it has been to select a number of men for this work, I would not for one moment be relieved of the assistance that the Civil Service Commission renders us or the limitations they place upon us. It has been absolutely helpful in every examination.

The CHAIRMAN. Doctor, have you figured out in your own mind the ultimate annual cost of such a system as you are working to finally perfect?

Mr. SHERMAN. So far as it applies to fruits and vegetables?

The CHAIRMAN. I mean this item here.

Mr. SHERMAN. We say that that depends upon how far we wish to go in the manning of these markets. The greater part of this cost will go into salaries. The telegraphing is a big item, of course, but the greater part of this appropriation will necessarily go into salaries and traveling expenses.

As you establish a greater number of markets, to a certain extent you eliminate some traveling expenses. We found last summer, for instance, that our man stationed in St. Louis served very well all of this Ozark territory and clear down into Texas. He had a clerk and a mimeograph and other equipment in St. Louis. We, of course, transmitted to him all of our market information, and he digested it and relayed it to the various shipping associations in Arkansas, they having to pay the telegraphic tolls only from St. Louis, instead of from Washington. Of course, we can go that far; we can transmit this information at Government expense to the nearest point at which we have a representative.

Then, all of these markets where we have representatives can be made distributing centers for this information by telegraph, and by short-distance wire to a very large number of producers and local county papers. The St. Louis & Southwestern, the Iron Mountain, the Missouri, Kansas & Texas, and the Frisco railroads all serve this territory southwest of St. Louis. Those railroad market agents are very anxious to get this information and put it into the hands of their patrons, and we had over 200 letters a day going out from St. Louis. As Mr. Helgesen suggested, where we can get a letter to a man within 24 hours, or 12 hours, it answers the purpose very well. Two hundred letters during the peach season were going out and 17 telegrams a day going to managers of

local associations and people who wanted information just as quickly as they could get it, because of moving shipments by it.

The CHAIRMAN. It would be almost impossible for you to give anything like an accurate statement as to how much this service would cost, because, I take it, as you develop the service you are bound to have expenses that you do not foresee and to incur expenses that you can not anticipate now.

(At this point informal discussion took place.)

Mr. HELGESEN. It seems to me the greatest benefit from this work will come from dealing through associations. Is there any reason why these associations should not pay for their own telegrams?

Mr. SHERMAN. They have to pay for their own telegrams.

Mr. HELGESEN. I mean from Washington.

Mr. SHERMAN. We had people in California who did pay for those telegrams all summer during the peach season, paying transcontinental tolls.

Mr. BRAND. Transcontinental tolls cost \$1 for ten words.

The CHAIRMAN. Give us a brief statement of telegrams paid for and those not paid for.

Mr. SHERMAN. We pay for every telegram coming to Washington from every source and for every telegram which we send to our men in the field or market. Then every one of our men distributes that information, but that distribution is at the expense of the recipient.

The CHAIRMAN. You say that you pay for every telegram coming into Washington?

Mr. SHERMAN. Yes, sir.

The CHAIRMAN. You mean every telegram coming from your force. Suppose I represented an association of tomato growers of South Carolina, having no connection with the department at all, and telegraphed you, the telegram costing a dollar; you would not pay it?

Mr. BRAND. That would be a paid message.

The CHAIRMAN. But if I were an agent of the department and sent it, you would pay it?

Mr. SHERMAN. We pay for every telegram asked for.

Mr. HOWELL. You pay for information you get from the railroads?

Mr. SHERMAN. Absolutely. We had this difficulty last year with reference to railroad information: A great many railroad companies were a little shy, and the important officers wanted to keep the thing in their own departments, especially the agricultural departments, which have a great pride in their organization, and some of them try to do some marketing of their own. They wanted all telegrams to come into the head office, and then they would give us a once-a-day wire. The result was that they would get these telegrams in and then start a wire to us 7 or 8 o'clock in the morning—when the important official reached his office—instead of the night before. That made the service too slow. It made it impossible for us to get a complete picture of the movement out by 9 o'clock in the morning. So, this year we are deliberately planning to increase the number of wires from railroads by asking them that they require every division superintendent to report to us the movement on his part of the line, because he has that information that night and he can send it to us at night; and, if he has orders from the general superintendent to send us that information as a night message, we believe he will do it, whereas, if the

general superintendent agrees to do it, he may and he may not do it; and, of course, this is a service of courtesy.

This is the service we promised Mr. Haugen we would explain to him. He wanted to know just what the railroads were doing which was so valuable and who is getting the benefit of it. We consider that this is a truly valuable service, when every division superintendent will wire us before midnight just how many cars were loaded out and where they were going. That gives us a picture to put up before the trade that they have never had. People will tell you that commission merchants of a certain town know how many cars are coming in within the next 12 or 24 hours, but that is seldom true.

A man was in my office a few days ago speaking for the Texas onion business down at Laredo and fairly begging us to try to institute this news service this spring and to give them some information on that movement. He explained the local situation and the seeming impossibility of organizing a cooperative association. He said the daily movement out of that district has never been known. Some of the largest shippers have had a pretty good idea, but he said, "We have got it by carrying our hand behind our back to some subordinate railroad official." That is the way it has been obtained wherever obtained. This is the first effort to bring the actual movement of a crop out and set it before the public, and it has succeeded remarkably well.

Do you want a little detailed statement about where we have put people and what have been some of the actual results?

The CHAIRMAN. Give us the actual results.

Mr. BRAND. A few specific cases.

Mr. HAUGEN. Before you get away from that; I think the service is of value, but I fail to see that the railroads are deserving of any special credit. They are furnishing us a service, but we pay for it, notwithstanding the fact that they furnish it to others free of charge. I am talking about information they give us as to the movement of stock. In that branch they give it free, and here we pay for it.

The CHAIRMAN. Do you pay for it?

Mr. SHERMAN. We do not pay a cent for it.

Mr. HAUGEN. You pay for the message, and they transmit the other messages free; that is the only difference. So, no special credit is due the railroads for furnishing telegrams when we pay for them.

Mr. SHERMAN. Possibly not, but we would certainly be in an uncomfortable situation without that information; in fact, we would be unable to stir a wheel if they declined to furnish it.

Mr. HAUGEN. The railroad company is as much interested in it as the farmers; they get the benefit.

Mr. SHERMAN. To a certain extent that is true, and that is what we have been telling them.

Mr. HAUGEN. It is an absolute fact, is it not? They haul the products and they get the benefit of it?

Mr. SHERMAN. Of course, in certain cases it does not work out that way. In certain cases it results in diverting, and they get a short haul instead of a long haul. It is not always to their interest.

Last year when we undertook to start this thing for the strawberry crop we had no organization whatever. We were feeling our way, and Mr. Schleussner, who is here in the room, made a trip to 20 of the larger markets and made arrangements with the largest

strawberry handler in each city to give us a morning wire on the jobbing prices prevailing in that market for strawberries and as near as he could the number of cars on the market. The larger dealers know how many cars are being unloaded on the market at the hour when they are selling.

With those arrangements made, Mr. Schleussner went to Hammond, La., the center of this strawberry district which has grown up here along the line of the Illinois Central, largely in the cut-over pine land. There they have a series of little local cooperative associations. They have done a lot of colonizing work. First is an Italian colony, next a German colony, and next a Hungarian colony, and then an American colony, and, I think, a Swedish colony; as a matter of fact, there are several Italian colonies. Each one of these little colonies is organized into a cooperative association to handle the strawberry crop, which is one of the important crops. They had experienced two bad years. I may be wrong but my recollection is that during both the two preceding seasons the Chicago market had been overloaded.

This district originally began with an f. o. b. shipping point arrangement. When those people went into the strawberry business they did the nicest packing in the United States; they had the fanciest berries for sale obtainable anywhere. The Illinois Central developed the business with Chicago. Everything went straight to Chicago. Finally, eastern buyers got onto the fact that those strawberries were prime articles and that they were better packed than Floridas. So buyers from Pittsburgh, Buffalo, and other large cities began coming down to this territory, and there began to be competition here for those berries.

Mr. HELGESEN. Let me suggest that the names of these locations go into the record. When you say "down here" and "over there," that is meaningless.

Mr. SHERMAN. At the same time this business here increased and outgrew—

Mr. HELGESEN. There you go again. You should say "this Louisiana business."

Mr. SHERMAN. As that Louisiana business increased and outgrew the demand of the buyers on the spot, the consignment was very generally to Chicago. A situation developed which made it comparatively easy to measure the capacity of Chicago, and after breaking down the Chicago market repeatedly it came to be pretty generally understood in Louisiana that anything more than 20 cars a day on the Chicago market meant disaster and a breaking down of prices. When the Chicago market broke down, the f. o. b. prices at Hammond went down correspondingly. People who were getting unprofitable returns from Chicago were forced to sell f. o. b. for whatever they could get.

We were told when we went into that territory that, unless better results were secured last year than had been secured during the two preceding seasons, it probably meant practically the ruining of that industry, and it was a very serious proposition that those people faced. They were heavily in debt for fertilizer and all that sort of thing; they had not been able to cover advances of previous years made to them.

Mr. Schleussner was in telephonic communication with every one of the managers of the associations in that country, and one day it developed, after reports of shipments were all in, that there were 44 cars rolling for Chicago. It was along toward the middle of the season. Twenty cars was about a maximum load for the Chicago market. People who ship to Chicago have the privilege of diversion at any time before the strawberries have passed Mounds, Ill., in the southern end of the State. My understanding is that the rules of the Illinois Central provide that if such berries pass Mounds they must go on into Chicago and be diverted from there. Shippers from Louisiana have about 24 hours of diversion privilege after their cars start northward.

When this situation developed, Mr. Schleussner got every association manager on the 'phone and called attention to the fact that there were 44 cars destined to Chicago and "you know what that means." Of course, efforts were being made to sell these berries, but the result was this: However many might have been sold by means of the ordinary efforts that would be put forth, 24 of those cars were diverted before they passed Mounds, and, of course, a number of the 20 that went on into Chicago may have been resold for points further north and west before reaching the city. So that the Chicago market never was during the heavy shipments last season broken down completely, or in anything like the measure that had occurred in the two preceding seasons.

Mr. HOWELL. Did you follow the other 24 cars to see what the returns were, that is, the results of the shipments of the 24 cars diverted—whether they got satisfactory prices or not?

Mr. SHERMAN. We could not follow individual cars, but, of course, we had prices of these 20 cities, of which Chicago was only one. I can furnish the prices if you choose.

Mr. HOWELL. I thought probably you knew offhand.

Mr. HELGESEN. Unquestionably it was satisfactory to the shipper?

Mr. SHERMAN. Yes, sir. I am safe in saying that no other market was broken down on account of the relief of the Chicago market.

The CHAIRMAN. Were your growers satisfied?

• Mr. SHERMAN. As I understand it, the acreage has not decreased. They have as large a crop in prospect as they had before. They had the best year in three years, and I have extracts of letters there which the committee can read, or which I will read, if you choose, from almost every association manager down there, stating that they had had information service such as they had never thought it possible to have before; and, while it is impossible to measure the benefit in dollars and cents, because they could not tell what the conditions would have been, yet many of them stated that they considered that they had certainly received a benefit from it very much larger than the entire cost to the Government.

The CHAIRMAN. I would suggest, gentlemen, that it would be a good idea to have inserted in the record at this point a few typical letters that Mr. Sherman may select. I should like to see what the people think of this service.

(The letters referred to follow:)

The following extracts are from typical letters received by the Department of Agriculture from car-lot producers and shippers of perishable farm products, expressing their opinions of the worth of the experimental telegraphic market

news service conducted by the Office of Markets and Rural Organization during the 1915 season:

From Josef Steinacher, German Farmers' Association, Ponchatoula, La., May 10, 1915:

"In regard to the Government service on crops in this section, we wish to state that this service has aided in every way in the better distribution of the crops. To obtain a record of the cars sent out every day has been impossible until this year, when obtained from your service."

"It is hard to put a cash value upon the service, but we would state that it has been invaluable to us."

"Trusting that it will be made a permanent feature, we are."

From P. K. Villadsen, secretary-manager, Thorsby Fruit & Truck Growers' Association, Thorsby, Ala., April 28, 1915:

"I can say in behalf of our growers, as well as myself, that we appreciate your work. We have only made a few express shipments (of strawberries), and by knowing the market conditions all over the country by your reports we were able to get \$4 per crate here for northern shipments."

From P. K. Villadsen, July 17, 1915:

"I have said before and will say now that this service is most valuable to all shippers of perishable products. We have something to be guided by now in marketing our stuff; before we were in the dark. The system you have adopted could, of course, be improved and extended. I sincerely hope it will be continued, and in saying this I am sure I am voicing all our growers of perishable goods in this association."

From C. Hain, Coulee City, Wash., September 24, 1915:

"Your service has been a real help to us in the fruit business, because it has given us a comprehensive survey of the actual market prices being received from the sale of fruit from a source the accuracy of which could not be questioned."

"It has enabled us to decide where the best outlets were and given us an accurate idea of what our fruit was worth at the shipping point, something it has been difficult to determine in times past."

"Your work has been worth to us much more than the cost to the Government, and I certainly hope that it will be continued and that I may remain on your mailing list next year."

From L. Scala, secretary, Independence Farmers' Association, Independence, La., May 19, 1915:

"As the strawberry season is about to wind up, we wish to respectfully express to you our satisfaction for the laudable work conducted by the Office of Markets by furnishing our association with daily reports on the strawberry movement and quotations in the principal markets and shipping points of the country."

"We have found said reports not only highly efficient, but also true and correct, and it is this most important feature—the trueness and correctness, which could hardly be found elsewhere—which causes us to address you, and beg leave to ask that the said service be continued in the years to come, as it proves of great benefit to farmers' interests."

From W. Ed. Roark, business manager, Anderson Fruit Growers' Association, Anderson, Mo., July 22, 1915:

"By being in touch with the situation through your reports we were able to arrive at a price, and to make it 10 cents higher than any other point reported at that time."

The following statements have been extracted from typical letters received by the Department of Agriculture from dealers, distributors, and transportation officials:

Peter Fox Sons Co. (per J. P. Fox), Hammond, La., May 15, 1915:

"The distribution has been more even than in other seasons for the associations, and buyers have been thoroughly cognizant of conditions in the principal markets. In instances this year I feel that sometimes serious overloading of different markets has been avoided. In this manner it is certain that prices at the producing end have been more equitable."

"As a monetary proposition, I feel that the service that your department has rendered in cases reached thousands of dollars in a single week. I feel that

this service is a thing that one can not value in dollars and cents, but I do wish to go on record as asking that you continue it every season hereafter."

From Peter P. Hovley, mayor, Brawley, Cal., July 12, 1915:

"I wish to convey to you the appreciation of the citizens and business men of Brawley for the assistance your office has extended to the cantaloupe shippers of the Imperial Valley in distributing this season's crop."

From Ginocchio-Jones Fruit Co., Kansas City, Mo., July 10, 1915:

"We can say unreservedly that the efforts of the bureau to furnish market information has been a success. We have heard a complaint from certain kinds of operators, such as brokers at shipping points, that the dissemination of advices of the market value of products at shipping points has prevented such brokers or speculators from making any money, which is rather a vindication of your putting an end to some questionable practices on the part of such brokers in overcharging their clients, who were ignorant of the daily market."

From Mutual Orange Distributors, Redlands, Cal., July 17, 1915:

"This was an unusually difficult season in the cantaloupe business on account of the cold and rainy weather east, and had it not been for the splendid distribution which we had, I am positive it would have meant heavy financial losses to the growers and shippers; but by properly distributing the shipments every day it was possible to give each market just about its requirements, with the result that these cantaloupes were billed direct to the various markets and sold without any accumulation, and, on the other hand, the consumer had fresh cantaloupes arriving daily, without any stale goods being placed on the market."

From C. L. Campbell, chief traveling agent, American Express Co., Hammond, La., May 21, 1915:

"We wish to congratulate you on the splendid work done by your department in the Louisiana berry district this season.

"The information which has been so promptly and effectively disseminated throughout the entire district is thoroughly reliable and has enabled the shippers to place the cars of berries profitably, resulting in thousands of dollars going to the berry growers, which they have never known before.

"In behalf of the growers and shippers we wish to thank you for the good work and hope it will be continued next season."

From U. Grant Border, president, T. H. Evans & Co., 218 Light Street, Baltimore, Md., September 28, 1915:

"In this connection I wish to assure you that I have never had anything to come to me of this character that proved so helpful as have these reports. In fact, I believe that when all the shippers and receivers consult these reports many over-burdened markets and heavy losses will be averted.

"I do not know of anything your department has undertaken to compare with this work in value to shippers, dealers, and consumers."

Mr. SHERMAN. I may say that, while the buyers on the ground regarded this movement with a little hostility at first, before the end of the season they were all of them on tiptoe for this information, and, somewhat to our surprise, we have a number of very appreciative letters from the buyers, hoping that this service will be continued; and the buyers were asking us before we left that territory, "Won't you move your man up from Hammond to Humboldt or Chattanooga territory and give us this same sort of information?"

The manager of the association here at Thorsby, Ala., had sent one of his men into the northern markets to keep him posted on prices. He paid for our telegrams from Washington for a week or ten days during the height of the movement and wrote to us the other day that he wanted to know if he could count on the service again. He said the information received from our office was so much more comprehensive and so much more reliable than that supplied by his own representatives in the markets that he proposed to keep their representative at home and pay for the telegrams from Washington if we would render the service.

This illustrates the possibilities of saving duplication of effort by organizations.

Of course, if this little association at Thorsby, handling a few cars of berries, puts itself to the expense of maintaining a man in Chicago, this other little association at Cullman will very likely put its man in Chicago. Chicago is one of the largest markets for each one of a dozen of these associations, and there may be a dozen men representing growers' associations selling their products competitively in those markets and not one of the associations getting a service as valuable to it as the service we can render all of them.

Mr. HELGESEN. That carries out my suggestion that when you get this properly organized it will be so valuable that those associations will be glad to relieve you of practically all the telegraphic expense if you can furnish the desired information.

Mr. SHERMAN. I think that is fair to assume. We will always of necessity have to send this information to our own men in the markets. We will have to furnish St. Louis, Cincinnati, Chicago, the Twin Cities, and New York with this information just as quickly as we can get it out from Washington. Our men in the large markets must be regarded by the trade and by the producers in their territory as the distributors of this information; because, if they are not, they can not be collectors of the information.

Mr. HELGESEN. Eventually enough associations will be formed so that they will be glad enough to have a man who can send information.

Mr. SHERMAN. We can not get along without our men at the markets, but the associations will undoubtedly pay for the cost of these telegrams from the nearest point at which we have a representative.

The CHAIRMAN. Your story is so entrancingly interesting that we could listen all the afternoon.

Does that give the committee, in your judgment, a fairly good idea of the work?

Mr. SHERMAN. It does not give the committee a complete picture of what we did last summer, but all I want to do is to call attention to the fact that, if this work is to go on as planned, and if the committee is likely to approve this item, it will involve the expenditure of a good deal of money, out of the small reserve Mr. Brand has, between now and the 1st of July, so as to permit us to carry on the service up to July before this money is available. For that reason, I have been anxious that the committee should question me so that I could get a very definite line on the thought of the committee, in order that we may know how to go ahead in selecting new men, which we must do immediately if we are going to build up the service to the proportions this item contemplates.

The CHAIRMAN. I would like to ask one question for the information of the committee: What increase in this appropriation do you have here over what you are spending this fiscal year?

Mr. SHERMAN. As I said, it is very hard for us to say just how much went into this, because the transportation section put a large amount of energy into it. Out of the allotment made for the market surveys, I suppose not more than \$30,000 went into this work.

THE CHAIRMAN. Let me ask you this question, then: Are you prepared to state to the committee that, in your judgment, you can build up an organization with which to work during the next fiscal year to expend economically and wisely the sum of \$136,600, as you are asking for in this item?

Mr. SHERMAN. Unquestionably.

Mr. HAUGEN. Have you information as to how the fruit business is handled? Is it controlled by a trust? Does that come under your observation?

Mr. SHERMAN. Those things always come under the observation of our force.

Mr. HAUGEN. Under your own division?

Mr. SHERMAN. I might say that no one in the Office of Markets, Mr. Haugen, has any authority to inquire into the existence of trusts, and our machinery precludes the idea that we can do that effectively. You will remember the committee has given the Office of Markets and Rural Organization no authority to swear witnesses, no authority to go into any man's books, no authority to go into a warehouse, no authority to go anywhere where he is not welcome and the door open.

Mr. HAUGEN. It occurred to me that you, being on the ground, might possibly have some knowledge of who buys, who sells, and to whom the fruit is sold, and knowledge of the operation in general.

(At this point an informal discussion took place. The chairman requested a statement of the approximate value of the perishable crops to be reported by the service rendered under this item, which is here attached:)

*Value of perishable crops to be reported upon during 1916-17 under the item
for market news service.*

Based on 1915 figures of the Office of Markets
and Rural Organization:

Strawberries	\$11,739,390.64
Peaches	14,432,615.00
Tomatoes (not including Florida)	3,231,293.50
Cantaloupes	7,849,964.40

\$37,253,263.54

Based on Bureau of Crop Estimates' 1915
figures:

Apples	156,407,000.00
Sweet potatoes	46,081,000.00
White potatoes	221,104,000.00

423,592,000.00

Based on estimates—not statistics:

Florida tomatoes, 6,000 cars, at \$300	1,800,000.00
Asparagus, 1,000 cars, at \$300	300,000.00
Cabbages, 60,000 cars, at \$150	9,000,000.00
Celery, 10,000 cars, at \$200	2,000,000.00
Cherries, 1,000 cars, at \$250	250,000.00
Grapes:	
Eastern, 10,000 cars, at \$250	2,500,000.00
Western, 8,000 cars, at \$300	2,400,000.00
Lettuce, 5,000 cars, at \$200	1,000,000.00
Pears, 5,000 cars, at \$300	1,500,000.00
Watermelons, 20,000 cars, at \$100	2,000,000.00
Onions, 30,000 cars, at \$200	6,000,000.00

28,750,000.00

Total 489,595,263.54

**STATEMENT OF MR. FRED TAYLOR, COTTON TECHNOLOGIST,
OFFICE OF MARKETS AND RURAL ORGANIZATION.**

The CHAIRMAN. Mr. Brand, take up item 41 and tell us about that quickly.

Mr. BRAND. Mr. Chairman, the next item is No. 41, for the investigation and demonstration of cotton standards and cotton testing.

In this item we are asking for a slight lump-fund decrease, though the total result, due to the transfer of certain salaries, makes a small increase of \$6,100. The work in cotton handling has been described. That work is distinct from the work under this item in large part, though the same force, upon occasion, is shifted, as I explained yesterday, from project to project. I am going to ask the leader of that project to present it, and as the increase is so small I hope that he can pass over the actual lines of work that are being conducted very quickly, in order that the committee may ask any questions it desires on that specific line of work.

The CHAIRMAN. Before he does that, Dr. Brand, I would like you to differentiate just as briefly as you can the item put down under 41 and the item under the Bureau of Plant Industry—under Dr. Cobb.

Mr. BRAND. I do not know that Dr. Cobb is doing any work of this character.

The CHAIRMAN. You say, then, that he is not doing any work of this character?

Mr. BRAND. So far as I am aware, he is not doing any work of this character. I will ask Mr. Taylor, the project leader, to discuss this item.

Mr. TAYLOR. Mr. Chairman, under this project we have been conducting investigations relative to the development of standards for cotton. Most people think that when we say standards for cotton we just mean standards for grade, but under this item we are studying not only grade but also color, length, perished staple, immature staple, and all the other varying qualities and characteristics of cotton that we hope eventually to standardize.

By means of the investigations under this project we have been able to assist in the development of the present white standards which are now in use. They comprise, as you know, 9 full grades, namely, middling fair, strict good middling, good middling, strict middling, middling, strict low middling, low middling, strict good ordinary, and good ordinary. The distribution of these standards has continued since the 15th of December, 1914, under the provisions of the cotton-futures act.

Recently the official cotton standards for color have been promulgated. Under this classification we have 11 new standards, in addition to the 9 white standards. The standards for color are divided into three different classes—yellow tinged, yellow stained, and blue stained.

In the yellow tinged standards for color we have 5 grade boxes, as follows: Low middling yellow tinged, strict low middling yellow tinged, middling yellow tinged, strict middling yellow tinged, and good middling yellow tinged.

Under the classification "yellow stained" cotton we have three boxes, as follows: Middling yellow stained, strict middling yellow

stained, and good middling yellow stained. Under the classification "blue stained" we have three more, as follows: Middling blue stained, strict middling blue stained, and good middling blue stained. The total number is 9 white and 11 colored standards.

Our most recent field investigations involved the collection of a large number of long-staple samples. We have collected these largely from the delta sections of Mississippi, Mississippi River bottom lands, and also from the sea-island section of the country. Our chief aim in collecting these samples is to attempt the development of a standard for length. It appears to be highly desirable, after having secured the standardization of the qualities of grade and color, to go a step further and do the thing which seems to be in greatest demand—that is, the development of the standard for length. We are now in the preliminary stages of that investigation, and we have a very large number of samples here in Washington collected from all of the long-staple sections of the country. From the careful examination of these samples by our own men we are expecting to accumulate information which will finally result in developing standards for length. We have not even determined yet what form they shall assume, but we are working on this feature at the present time.

The CHAIRMAN. Before you take that up: A large portion of this appropriation is spent in buying cotton for your investigations, is it not?

Mr. TAYLOR. A large proportion of this appropriation is taken up in buying cotton, which, as you know, is very expensive. We can not buy small quantities. We can not go out and buy 10 or 15 pounds at 10 or 12 cents a pound. If we find a desirable bale, or if we find a bale with desirable qualities in it, which appears to be suitable for standardization purposes, or suitable for investigational purposes, we must buy the whole \$50, \$60, or \$75 worth.

The CHAIRMAN. You buy at the market price?

Mr. TAYLOR. Yes, indeed; and sometimes, in order to make these selections, we have to pay certain drayage charges, sampling charge, and the charge of several handlers around the cotton yard and our own traveling expenses, which bring the net cost of that cotton up to very much more than the market price. In fact, I should judge that the cost of the cotton to us is certainly at least \$5 or \$10 a bale above the market quotation.

The CHAIRMAN. This cotton is afterwards sold and the proceeds go back to the Treasury?

Mr. TAYLOR. Sometimes in the consideration of standards we have to eliminate a great deal of the material which we collect.

The CHAIRMAN. Whatever is left over you sell?

Mr. TAYLOR. We find that a large part of it can be used; all of the remainder is sold, and a large part of the expenditure goes back into the Treasury.

Mr. ANDERSON. Can you suggest any reason why the standardization of cotton is put under your bureau while the standardization of grain is put under the Bureau of Plant Industry?

Mr. TAYLOR. That question is a little too deep for me. I would have to call on the chief to answer that.

Mr. BRAND. Mr. Chairman, the cotton-standardization work is in its present location because this committee transferred the item to our charge. I think that is the answer to that.

Mr. ANDERSON. That is an answer; but what I was trying to get at was whether the gentleman knew of any other reason.

Mr. TAYLOR. I would not like to venture a personal opinion.

Mr. BRAND. The historical reason is that the work was started in the Bureau of Plant Industry many years ago and was handled by that bureau for years before this office was started.

Mr. ANDERSON. You do not mean to give the committee the impression that no work was done on cotton standards until your bureau was started in the department?

Mr. TAYLOR. It is a continuation of work previously started in the Bureau of Plant Industry.

Mr. ANDERSON. That is the exact situation with respect to grain.

The CHAIRMAN. I do not know any reason except that the committee did just do it, which is a pretty good reason.

Mr. TAYLOR. In addition to our work on what is called the regular American cotton crop, we have made some investigations and demonstrations which we hope will eventually lead to the development of a standard for the Arizona Egyptian cotton, which I presume has come to this committee's attention previously and which needs no minute description, except to say that in Arizona they have a peculiar product, developed culturally almost exclusively by Government experts. There is now a commercial production of Arizona Egyptian cotton, with absolutely no American standard by which its quality can be judged, and we are conducting investigations in the Southwest with the hope that perhaps in another year or so we will have collected sufficient data and material so that we can present to the cotton growers in Arizona a standard for their Egyptian cotton.

The CHAIRMAN. Have you standards for Sea Island cotton?

Mr. TAYLOR. No.

The CHAIRMAN. Are you investigating that, too?

Mr. TAYLOR. In connection with the development of a standard for long-staple cotton we are also collecting samples from the Sea Island markets. We are also getting from those immediate markets and from important dealers their interpretations of the various grades, and we expect very shortly to begin the classification of these Sea Island types and see whether we can not develop something in the way of a standard. There is no definite standard now for the Sea Island cotton. The most important growers are shipping out under their own private marks, without any attempt to develop a standard for their shipments.

In a general way, this covers the activities under investigations and demonstrations.

The CHAIRMAN. You are doing some work also in testing the waste, tensile strength, and bleaching qualities of different classes of cotton. But that comes under the general idea you have discussed?

Mr. TAYLOR. I have not mentioned that particular project yet.

Under the project for testing the waste, tensile strength, and bleaching qualities of the different grades and classes of cotton, we conceived it to be part of the investigation and demonstration of

standards to determine what are the relative commercial values of these grades which we have standardized. The interpretation of grade placed by the grower or placed by the southern shipper is largely a reflection of what the spinner considers its value. The classification of a bale of cotton in the South is not altogether the opinion of the classer located in the South. It is rather the combination of several opinions, one of which is the ultimate value to the spinner. The latter never has been known for the definite grades as we have standardized them, and, as we do not know definitely the relative spinning value of these various grades which we have standardized, it is this which actuates us in our purpose to test these grades this spring. In fact, we have the cotton purchased now—139 bales, representing the five alternate grades of the standards for white cotton, namely, middling fair, good middling, middling, low middling, and good ordinary. We have secured the use of a cotton mill at Fall River for this purpose, without any cost to us except the cost of the cotton and the expenses of our own men while engaged in the investigations. We expect to determine the percentage of waste and tensile strength of the various grades purchased for that purpose.

We are also testing the Arizona Egyptian cotton in comparison with similar qualities of Sea Island and regular Egyptian, to assist in the development of a proper market and to place this American-grown Egyptian cotton in its proper place commercially. At the present time it is not well known commercially by the consumer.

In a general way, I think that covers about all we are doing.

The CHAIRMAN. And you want the \$6,100 increase to extend this work?

Mr. TAYLOR. We have new work coming up under investigation and demonstration of standards in the shape of these standards for color. On the 28th of January, the Secretary of Agriculture promulgated the standards for the 11 new types representing color. We had only nine standards previously. It is our purpose to continue our investigations regarding standards for color and also to make spinning tests of those standards for color. Our work is enlarging, and it seems necessary to ask for a corresponding increase in the appropriation.

The CHAIRMAN. Of course, until you make these tests you do not know whether the spinning value of a tinged bale of cotton, for instance, is less or greater than a bale of corresponding grade of white cotton, do you?

Mr. TAYLOR. That is the kind of tests that we intend to make. We intend to test a tinged bale of cotton and compare it with a so-called white bale of cotton, making the bleaching tests and determining the actual cost of converting these bales of colored cotton into white goods—that is, to make a definite comparison of those different qualities.

Mr. BRAND. I want to call the committee's attention to the new standard for stained cotton [exhibiting samples].

The CHAIRMAN. What do you call that?

Mr. BRAND. Yellow stained cotton of the grade of middling. We have adopted a new nomenclature, in line with the scientific facts, so that now color standards correspond in grading to white standards.

The CHAIRMAN. Commercially, what is the value of this as compared to white middling?

Mr. BRAND. It is worth about 188 points under white middling at this moment.

Mr. TAYLOR. One hundred and eleven.

Mr. BRAND. One hundred and eleven is the average.

The CHAIRMAN. \$5.50 a bale?

Mr. BRAND. Yes. These standards are just out and are about to be distributed. We already have a number of orders for them.

Mr. TAYLOR. That explains why it will be necessary to make additional spinning tests and also further investigations in the field to determine the relative values of colored cotton as compared with white cotton.

The CHAIRMAN. I was thinking, however, Mr. Taylor, as you had practically completed your investigation with reference to white cotton, that your expenditures in that direction would be comparatively nothing and that the money which you had been using heretofore might be used for other purposes.

Mr. TAYLOR. Yes. That is the intention.

Mr. BRAND. Yes.

The CHAIRMAN. Then, why have you asked for this \$6,000?

Mr. BRAND. In the first place, we have two grades to test throughout—11 standards as against 9.

Mr. TAYLOR. Our investigation with reference to perished staple and standards for length will have to be made in order to fulfill the needs of the trade. So that we are not near the end but just getting past the beginning on the standardization work.

The CHAIRMAN. I had been hoping that on this item you would reach a point where you would begin to stand still.

Mr. BRAND. I think that is in a measure true, Mr. Chairman. Our method in this matter is perhaps a little different from others. You understand it is our aim to give the trade just as quickly as possible, with just as thorough investigation as we can in a given time, a standard that we begin to use. Then, we carry on reinvestigations of that standard and change the standard rather than deny the trade the use of it in the interim.

The CHAIRMAN. I am thoroughly in accord with that idea, too.

We will now recess until 10 o'clock to-morrow morning.

(Thereupon, at 6 o'clock p. m., the committee recessed, to meet to-morrow, February 12, at 10 o'clock a. m.)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Saturday, February 12, 1916.

The committee met at 10 o'clock a. m., Hon. Asbury F. Lever (chairman) presiding.

STATEMENT OF MR. C. W. THOMPSON, SPECIALIST IN RURAL ORGANIZATION, OFFICE OF MARKETS AND RURAL ORGANIZATION.

The CHAIRMAN. Mr. Brand will now take up item 42, on cooperation, rural credits, etc., with an increased estimate of \$6,360.

Mr. BRAND. Mr. Chairman, this is the item under which we carry on investigations and a certain amount of demonstration work

designed to aid in solving problems connected with rural credits, insurance, communication, education, and social activities through organization. Mr. Thompson, the project leader, is here, and I will ask him to present the work.

The CHAIRMAN. Before Dr. Thompson begins, let me say to the committee that it has come to my attention that Dr. Thompson is just out of a sick bed, just over a spell of illness, and a good deal of his testimony, I happen to know, has already been printed. It is the testimony given before the joint committee on rural credits, and I will have the clerk get copies of that testimony, which will be available to members of the committee. It will save us a great deal of time, but in a general way, Doctor, you may give us what you have been doing in the way of rural credits.

Mr. THOMPSON. Mr. Chairman, the first topic under this assignment, as already mentioned, is rural credits. This study has included investigations of the costs of farm loans, both mortgage and short-time loans to farmers, including interest and extra charges for commission; also the facilities for supplying these loans.

The chart which you see yonder on the wall illustrates, for farm mortgage loans, the State average for interest and commissions. The same data have also been compiled for subdivisions within the States, each State being divided into nine subdivisions, as used by the Bureau of Crop Estimates. I have here on the desk a number of colored charts which illustrate other forms of data on costs of farm loans which may be of interest to the members of the committee.

By way of illustration, I will say that one of these charts shows the relative importance of the different rates reported for farm mortgage loans in any given State. As a further illustration, another chart shows the relative importance under farm mortgage loans of the different plans in use as to commission charges, whether advance-commission charges, commissions charged annually, alongside interest payments, or noncommission loans. We also have similar data with reference to short-time loans—that is, loans on personal or collateral security—in which case we have compiled State averages for the nominal rates and extra charges separately by States and the same data for subdivisions within the States.

Then we have also made a study of the sources from which loans are obtained. On the wall you will see a chart showing the relative importance of insurance companies and banks as sources of farm mortgage loans by States. On the same chart is represented an estimate of the total farm-mortgage indebtedness in each State. I have here miniature copies of the same charts. Similarly, under short-time loans, we have made a study of the relative importance of different classes of banks as sources of short-time loans, national banks, savings banks, trust companies, and State and private banks, and that data has been assembled in a manner similar to the data mentioned for farm-mortgage loans.

I may say that a statement bearing on all of this was presented, as has just been stated by the chairman, to the subcommittee of the joint committee on rural credits. This statement was made on November 15 and 17, 1915, and copies of it are here. The better part of two days was occupied in the presentation of this statement.

The CHAIRMAN. I would like to say that the information contained in the testimony to which Dr. Thompson refers is exceed-

ingly valuable to those of us who are interested in rural-credits legislation (and I know we all are more or less), and I commend it to your careful reading and consideration.

Now, Doctor, if you can do so very briefly for the benefit of the committee here this morning, will you tell us what conclusions you have reached from these studies—what general principles you have found running through the whole of your studies.

Mr. THOMPSON. Yes, sir; I shall do so. As regards costs, a glance at the chart will show that there is a wide variation as between the States, and, if you have the table of the subdivisions before you, you will see there is likewise a wide variation in costs as between the different parts of a State, oftentimes.

The CHAIRMAN. By cost you mean—

Mr. THOMPSON (interposing). I mean what the farmer pays for the loans.

The CHAIRMAN. Interest?

Mr. THOMPSON. And commissions and other charges.

Mr. RUBEY. Annual commission—what do you mean by that?

Mr. THOMPSON. The annual commission, as shown, is annual commission charged as such—that is, where commission is charged alongside interest—or, if it is advance commission, it is reduced to an annual basis, so that the figures represent annual figures comparable with the interest rate.

Mr. STEELE. I should like you to take up Iowa and analyze that for me.

I see you have there three lines—one blue, one red, and one brown. Now take the blue, and you will—

Mr. THOMPSON (interposing). That is another chart. I shall be glad to take up Iowa if you wish.

The CHAIRMAN. Take up Iowa, and that will be illustrative of the whole proposition.

Mr. STEELE. Explain that line there [indicating]—insurance companies.

Mr. THOMPSON. You refer to the sources of loans?

Mr. STEELE. Yes.

Mr. THOMPSON. The chart shows that the total estimated farm mortgage debt of Iowa is about \$450,000,000, out of which one-third of the total, or \$150,000,000, is supplied by insurance companies. That is the blue line.

Mr. STEELE. That is the blue line on top?

Mr. THOMPSON. Yes, sir; and about \$100,000,000 comes from the banks, which is the red line.

Mr. STEELE. Take up insurance companies. What rate does that indicate?

Mr. THOMPSON. The lines indicate the quantities or amounts of money. The rate question is entirely apart from this and represents the average for States, or for subdivisions within States.

Mr. STEELE. Now, what I am trying to get at is this: You have three distinct lines here. The insurance companies are the men who take loans on lands at, say, 50 per cent of their appraised value. They get them at a lower rate. Is that the analysis?

Mr. THOMPSON. The insurance companies ordinarily select the better class of risks in farm loans.

Mr. STEELE. Suppose I want to borrow money and have a farm worth \$20,000. It is located well, and I want to borrow \$10,000. Then I go to the local company—the insurance company or the local company. The insurance company seems to have the material, and they make me a very desirable loan. We get that at what we call a reasonable rate. For instance, we get it at 5 per cent, and maybe we have to pay one-half per cent commission for a five-year rate. Now, you have the banks there carrying another part of the mortgage. Is that a second mortgage on my farm at a higher rate? For instance, I have gone along and I want to borrow \$5,000 more. The land is well worth \$20,000. Is that the mortgage that I am carrying that you represent there belonging to the bank?

Mr. THOMPSON. No, sir. I should say that the banks do not, as a rule, invest their own funds in your second mortgage.

Mr. STEELE. But they do that to secure a loan that looks bad. Now, evidently that bank loan on real estate is for the purpose of fixing up a loan. Is that the idea? Have you investigated that?

The CHAIRMAN. I do not think, Mr. Steele, you catch what Mr. Thompson is trying to illustrate here. This brown line [indicating] represents the total indebtedness of the State, the blue line represents the amount that is carried by insurance companies, the red line represents the amount carried by the bank, and the blue line and red line added together ought to make—

Mr. STEELE. No.

Mr. THOMPSON. There are other sources.

The CHAIRMAN. I wanted to get that straight.

Mr. STEELE. I wanted to analyze this, because I thought it would be good to have in your rural credits. What I wanted to get at was these bank loans, second mortgage or first mortgage. You know the banks do that, don't you?

Mr. RUBEY. These are separate loans on one farm, which he gets from the insurance companies, and another one he gets from the banks; but the banks, as a rule, do not want second mortgages.

Mr. STEELE. No.

Mr. REILLY. They can not take them.

Mr. STEELE. That is what I am trying to analyze. You know the banks will carry a great deal of second mortgages to fix up the first mortgage. That will be charged up against my land as a mortgage. Now, the next line, that long line—who holds those mortgages?

Mr. THOMPSON. That represents all loans, including insurance loans, bank loans, mortgage company loans, private loans, etc.

Mr. STEELE. For instance, I sell my farm to Mr. Rubey, 240 acres or 320 acres, at \$200 an acre. He has only a small amount that he can pay down. He is an industrious farmer, and he makes me a small payment.

Mr. RUBEY. Thank you for the compliment.

Mr. STEELE. I am just illustrating. [Laughter.] Now, I want to retire, and all that I desire is my interest. I do not want to sell that land; and neither could he borrow the money from anyone else, from an insurance company, or from the banks; and consequently a great deal of that mortgage account is where you are selling land and where you are not getting large payments down. That rate of interest would be about 6 per cent.

Mr. RUBEY. You call that private funds?

Mr. THOMPSON. Yes, sir.

The CHAIRMAN. Suppose we let Dr. Thompson tell us about this.

Mr. THOMPSON. Among the sources of loans are, of course, private sources—where private individuals loan to their neighbors, or where a man selling land takes a large share of it in the shape of a mortgage note at a certain rate of interest. That would be one of a large number of sources that have been considered, but when it comes to the actual amount of loans that are secured, say, from private individuals, we have not been able so far to calculate the relative amount of such loans as compared with the total. The only way we can form an opinion as to that part of the total is by a process of elimination. We take out the insurance loans, the bank loans, and such other loans as we could get at, and we know, then, that the balance must come from private individuals.

Mr. HELGESEN. In regard to bank loans, do you mean mortgage loans?

Mr. THOMPSON. We are discussing mortgage loans now.

Mr. HELGESEN. In my country almost the entire amount of loans made by banks comes from private individuals. The bank may make it to-day, but it keeps turning all the time.

Mr. THOMPSON. The figures given here, however, for bank loans represent the loans that banks have outstanding from their own funds; they do not represent the loans which the banks may make as agents, where they may handle the money of private lenders, insurance companies, savings banks, etc.

Mr. RUBEY. You can pick up the bank statement at any time and find out how much in real estate loans they have in the bank.

Mr. THOMPSON. We have made a distinction between the loans made by banks from their own funds and loans made where the banks are agents for others. Those are tabulated separately.

The CHAIRMAN. Doctor, proceed in your own way to tell us what conclusions you have reached from these studies, possibly as to the rates of interest in the various States, the amounts of commissions charged in the various sections of the country, and whether these rates, costs, and charges should vary, and what underlying fundamental factors there are that enter into those things. I think that will be something the committee will be most interested in.

Mr. THOMPSON. I think a glance at the tables or figures which are before the committee will show that in the case of farm-mortgage loans the rates vary from $5\frac{1}{2}$ per cent up in the New England territory to over 10 per cent in the South and in the Rocky Mountain sections. The tables show what part of those averages is interest and what part is commissions. One conclusion is that both commissions and interest rates are lowest in the older and more highly developed agricultural sections of the country and that both commissions and interest rates are higher in the relatively less developed agricultural regions of the South and the West.

Mr. REILLY. That condition would be naturally expected, would it not?

Mr. THOMPSON. It would be as one proceeds with an analysis of the factors.

Mr. HOWELL. Do you think the rates are too high?

Mr. THOMPSON. In answer to that question, it seems to me, as one looks over the figures for interest rates and for commissions, as we have them for certain sections of the country, the charges run unnecessarily high. That is, we believe that there is certainly room for improvement with reference to those conditions.

Mr. HOWELL. Do they include practically the whole country?

Mr. THOMPSON. Our study includes the whole country. I do not know that I quite understand the question.

Mr. HOWELL. Your statement that the rates are too high—does that include all sections?

Mr. THOMPSON. I would not say that. In some sections, we believe the rates are reasonably low.

Mr. HOWELL. Let me ask specifically, do you think the rates are too high in New Mexico, for instance?

Mr. THOMPSON. I believe there is room for much improvement with reference to New Mexico.

Mr. HOWELL. How about Kansas?

Mr. THOMPSON. The same would apply to Kansas.

Mr. HOWELL. And of other States through there?

Mr. THOMPSON. Yes, sir.

Mr. REILLY. Have you made any investigation as to the losses through mortgage loans?

Mr. THOMPSON. I have tried to get information with reference to that, and so far as our information goes it tends to show that there is not the relation between losses and high rates which some would expect to find; that, on the other hand, in those sections of the country where the rates run very high and the commissions run high, we find that there has been a tendency to build up machinery to protect the situation, as it were, against loss.

Mr. REILLY. Do the losses constitute any perceptible amount of the total?

Mr. THOMPSON. On inquiry from insurance companies we find that the losses have been practically nothing. The same has been our experience in our inquiries from other sources. Of course, it varies naturally as between different agencies within the same class sometimes.

The CHAIRMAN. Have you found that the losses on farm mortgages are relatively small?

Mr. THOMPSON. They are relatively small.

Mr. STEELE. That is, at the present time?

The CHAIRMAN. Yes; at the present time; so that your data would indicate that loans on farm mortgages are well protected?

Mr. THOMPSON. That they can be well protected.

The CHAIRMAN. And that, if they are chosen with care—in other words, if you have administration of the proper kind—

Mr. HOWELL (interposing). They are high-class securities.

Mr. THOMPSON. Yes; you have a high class of securities.

Mr. STEELE. Meaning that good lands are well defined, so that the loaning companies know about the value of the particular lands at this time.

The CHAIRMAN. Will you indicate to the committee, for instance, why it happens that in the State of North Dakota the rate of interest plus commissions runs into the neighborhood of nearly 9 per cent?

It is true also of Alabama, Florida, Arkansas, and Montana. It is not quite so true of South Carolina and Georgia. What factors, or fundamental factors, enter into the making of these higher rates?

Mr. THOMPSON. I should like to say, Mr. Chairman, that I would prefer to select one State at a time of the States you mention.

The CHAIRMAN. Suppose you take two.

Mr. HELGESEN. Take North Dakota.

Mr. THOMPSON. As far as North Dakota is concerned, I would first call attention to the variations within the State. I have before me the averages for interest and commission rates for different districts within North Dakota. We divide that State, as we have all the others, into nine districts. To give you a picture, take this chart, and at the top, beginning on the west end, number eastward 1, 2, 3; take the center districts, 4, 5, 6; and at the bottom, 7, 8 9—9 being in the southeastern corner of the State. Let me give you the figures for the districts of North Dakota to show the wide variations within the State:

North Dakota :	Interest plus commission.
District 1-----	9.0
District 2-----	8.6
District 3-----	7.6
District 4-----	10.1
District 5-----	8.2
District 6-----	7.4
District 7-----	10.1
District 8-----	9.6
District 9-----	7.7

You will notice that the highest rates are found in the districts farthest west (Nos. 1, 4, and 7), and the lowest figures in the Red River Valley (districts Nos. 3, 6, and 9).

Mr. HELGESEN. Do your figures include commissions?

Mr. THOMPSON. Yes, sir.

Mr. HELGESEN. I notice the commission is among the highest in the United States—approximately 2 per cent.

Mr. THOMPSON. Yes.

Mr. HELGESEN. As I recall the relative degree of settlement in North Dakota, this rate corresponds in some degree at least with the population in the locality. In other words, the more thickly settled sections have the lowest interest rates. Now, what conclusion do you draw from the increase that you have just stated?

The CHAIRMAN. That is one factor entering into it. Now, give us the other factors.

Mr. THOMPSON. You would have to begin with certain fundamental natural conditions—rainfall, to begin with. As you proceed westward from the Red River, the rainfall becomes less and less, and you will find a very perceptible correlation between the rainfall and the rate of interest. Closely connected with rainfall would be certain natural hazards—hot winds, for instance, or other conditions of that kind.

Mr. HELGESEN. Then, of course, there is the character of the country. The western part of North Dakota, for instance, is a broken, rolling country, with less good land for farming than there is in the east, where every acre is tilled.

Mr. THOMPSON. I was going to mention next what has been suggested by the Congressman, namely, soil conditions, which, in turn,

are really a product and part of certain other factors, like rainfall, as you know, and climate. Now, it is not difficult to point out the very important correlation between soil conditions and the situation with reference to the cost of farm loans. All those facts in turn react upon methods of farming, kinds of farming, and the relative safety, you may say, of farming, which is the fundamental fact after all. The man who lends money wants to be sure he will get it back.

Mr. HELGESEN. Have you made any investigation as to the percentage of loss on farm lands at all in the United States?

Mr. THOMPSON. Just before you came in we discussed that matter, and at that time I made the statement that, as far as actual loss goes, there seems to be, from the information we have, no increase in loss as you go into the high-rate country.

The CHAIRMAN. Now, Doctor, you have not completed the factors that enter into the differences in rates.

Mr. THOMPSON. I have mentioned rainfall, climatic conditions, soil conditions, methods of farming, and the next factor I will mention is distance from financial centers or from the source of this particular investment capital.

Mr. STEELE. You have to figure up the credits, too. These older sections have a better credit that brings their rate of interest lower than the new countries.

Mr. THOMPSON. I think a good way of stating that would be that they have better credit as the result of all these factors we are enumerating.

Mr. REILLY. Is not the most important factor, on interest, the amount of money available for loaning purposes? You talk about the land in western North Dakota. Do not all those factors enter into the value of the land? Any banker will lend over 50 per cent of the value of the land. They must be just as certain of getting their money back in North Dakota as in Wisconsin.

Mr. THOMPSON. I shall be glad to take that up after I have enumerated the other factors I am about to mention.

I mentioned, for instance, distance from financial centers. Watch the interest rates as you go out from all the large financial centers, and see how the interest rates go up as you get away from the financial centers. Attention was called just a moment ago to the State of Iowa. Look at the sources of loans in the State of Iowa and see who it is that furnishes the farmer with loans in that State. We have indicated on the chart only insurance companies and banks. If you look at the map, the dotted map showing the banking situation in Iowa, you will find the whole State honeycombed with savings banks, and you will find that a large fraction of the loans come from the savings banks of Iowa. I have already mentioned that one-third of the total of the farm loans of the State come from insurance companies.

Mr. HELGESEN. Well, you take, for instance, North Dakota. You have \$100,000,000 of farm loans; you have got about eighty or eighty-five millions carried by the insurance companies.

Mr. STEELE. Forty-five millions.

Mr. THOMPSON. About twenty millions.

Mr. HELGESEN. About twenty millions carried by the insurance companies and five millions by the banks. Who carries the balance?

Mr. THOMPSON. Either mortgage companies or private lenders, but a large part of the mortgage companies or loaning agents get their money from their loan connections.

Mr. REILLY. In our section there are local people lending money in the Dakotas or other outside States. A man will start a loaning agency and get the money and lend it back to the settlers. It is in the form of private individuals.

Mr. THOMPSON. Wisconsin affords a very interesting illustration of a State which, in large part, supplies its loans from local capital, and that explains why it is when you come back to commissions that the average commissions in the State of Wisconsin run relatively low and vice versa when you turn to some States like North Dakota, Georgia, and Oklahoma, where you find that they charge high commissions. You will also be interested in knowing that a very large fraction of the total farm loans in such States come from the outside.

The CHAIRMAN. It is a fact in well-settled, old-settled communities, near financial centers and near the sources of money, that the value of the farm loan is so well known that that greatly affects the rate of interest?

Mr. THOMPSON. Undoubtedly.

The CHAIRMAN. What I am trying to bring out is whether or not the liquidity of the asset has anything to do with the rate of interest.

Mr. THOMPSON. It has.

The CHAIRMAN. So, if any system can be devised whereby you can give greater liquidity to the security, the necessary consequence must be a falling of the rate of interest on that kind of security. Is that a proper deduction?

Mr. THOMPSON. Yes, sir; I think it is.

Mr. HELGESEN. That is an-interesting thing, but how far back have you gone with your investigations?

Mr. THOMPSON. These data represent existing conditions as recent as we could bring them together.

Mr. HELGESEN. As far as State loans are concerned in North Dakota, I do not know of any losses. If there are any, they are extremely small.

Mr. THOMPSON. Very few.

Mr. HELGESEN. I do not know where in the United States the security is safer, and yet the interest rates are higher.

Mr. THOMPSON. The answer which I made a while ago is that there is no relation apparently between the actual losses and the interest rate.

Mr. ANDERSON. It seems to me when you put the proposition on the basis of land values that you overlook, to some extent at least, the question of uniform and continuous earning capacity of the land. You know up in North Dakota you may get a crop one year and the next year you may not.

Mr. HELGESEN. Since when? In what sections?

Mr. ANDERSON. In sections there for a good while.

Mr. HELGESEN. Not to my knowledge, and I have been there 30 years.

Mr. ANDERSON. Oh, I am not asking you to admit it, but it is a fact just the same.

Mr. STEELE. Mr. Helgesen, is it not a matter of fact that South Dakota and North Dakota brought disrepute on themselves some 25 or 30 years ago when the insurance companies went out and loaned their money in that western country, thinking it would develop as Iowa, Minnesota, and eastern South Dakota had, and they extended it out so far that it bankrupted a great many insurance companies, and the lands were sold under mortgages?

Mr. HELGESEN. No. In 1893 and 1894, during that severe panic, some of these New England companies which had enormous loans in North Dakota withdrew from the State, and not one of them lost a dollar, and since that they have all gotten back into it. There were some losses in all the Western States for this reason: They were placed through agents who had no other interest in the loans than to place them, and they were carelessly placed, and accepted by the men who loaned the money without knowing that the agent did not even try to get good security but looked out for his own commission and turned over any loan he could get. You can get that kind of loan in any State in the Union to-day.

Mr. STEELE. Well, it may have been South Dakota. Along in those early days the loaning companies took those loans and supposed they were going to be good agricultural lands, and then the dry season came along and drove all the farmers out of the country, when, of course, the credit was broken.

Mr. HELGESEN. A thousand dollars a quarter represented more than the land could be bought for.

Mr. STEELE. Not at that time, because the homesteaders who went on there thought their land was worth two or three thousand dollars a quarter.

I was just bringing out the point that, having had a breakdown in their credit at that time, they have been slowly building up, and consequently I think that a community should build its credit up to get low rates of interest just the same as an individual.

The CHAIRMAN. I take it as a fundamental fact that the good character of the security has something to do with the interest rates.

Mr. REILLY. Undoubtedly.

Mr. THOMPSON. Certainly.

Mr. REILLY. Have you any specific instance where any bank or insurance company has lost one cent?

Mr. THOMPSON. Our records of insurance companies show almost entirely a clean slate. It is not entirely so, however. Some companies have admitted that a very insignificant fraction of 1 per cent has had to be dealt with out of the ordinary way.

Mr. RUBEY. I want to ask if you have taken into consideration, in estimating your rates, this condition: An insurance company has an agent in the State. They allow him a certain commission for making these loans. He makes me a loan of \$5,000, and I give him a mortagage on my farm for \$5,000. He lets me have the loan at $5\frac{1}{2}$ per cent, and he gets 1 per cent commission, which amounts to \$50 for five years. I am not able to pay that commission, and I give a second mortgage on the farm for those commission notes payable annually, and I have the option of paying the principal off at any interest-paying date. At the end of a year, for instance, I may sell my farm, and I want to pay that off. Now, I can pay off the mortgage. I have got to pay off every one of those interest notes for \$50

each in advance for the five years. That will necessarily, when considered in connection with the rate of interest, raise the rate of interest that I actually pay on that farm. Have you taken that into consideration in fixing these rates?

Mr. THOMPSON. Yes, sir. We have put that information on one of the charts which are here on the table. You will see a comparison of the different commission methods and the relative importance of different methods in different States. We have compared the no-commission method with the advance-commission method and with the installment-commission method.

Mr. STEELE. The proposition that Mr. Rubey made there was, did you determine that the agent guaranteed to the insurance company the payment of \$5,000. Have you determined that feature of it?

Mr. THOMPSON. I do not know that I understand the question.

Mr. STEELE. The proposition he made is, did you find out whether the agent guaranteed the payment of \$5,000?

Mr. THOMPSON. Yes, sir. We have information to that effect.

Mr. RUBEY. It is very rare that they do that. You will find that the methods employed generally by the large insurance companies are different from the methods employed by the smaller insurance companies, because the large insurance companies have their own loan department and rarely run their own mortgage-loan banks. The smaller companies go out into the market and buy their own mortgages.

Mr. STEELE. I know that the agent in my town who turns in such property or sales is required to guarantee it. He guarantees it, and for this guarantee is the additional rate of interest.

Mr. THOMPSON. The larger insurance companies each have their own loan departments and have agents located in the leading loan sections. They have connected themselves up with local correspondents or agents, and for that purpose they appoint a bank, most often a local bank, which receives applications, and the bank deals with the farmer direct and sends the applications to the company. Generally we find that the insurance companies hold their local agents responsible within a limited period of time for the mortgages, until they are finally accepted by the insurance company. Every large insurance company has its own appraisers who go over the field and look over every individual mortgage before they finally accept it. Pending examination of the individual plot of land by the appraiser of the insurance company, they hold their local agent responsible, and if they find that the security is not up to the standard they turn it back to the local agent.

The CHAIRMAN. Let me ask this question, as bearing on the fundamentals of this proposition: Would the question of the permanency of the loan, in cases of investment, from the standpoint of the investor, have anything to do with the rate of interest? Would the length of time cut any figure in the rate of interest that the investor in that kind of security had?

Mr. THOMPSON. Undoubtedly.

The CHAIRMAN. Do you draw this conclusion, that the longer the life of the investment, relatively, the lower the rate of interest?

Mr. THOMPSON. We know that the investor will accept a lower rate on an investment if he knows it will run undisturbed for a long

period of time, rather than to have it come back to him, say, after a year or two.

The CHAIRMAN. In other words, the investor does not want to be put to the trouble of looking after and keeping up the investment?

Mr. THOMPSON. No, sir.

The CHAIRMAN. He is looking for the interest at fixed stated periods?

Mr. THOMPSON. Yes.

Mr. STEELE. In your survey did you find that in fixing the rate of interest the character of the borrower was largely taken into consideration?

Mr. THOMPSON. The character of the borrower is a very important factor in all these matters.

The CHAIRMAN. Now, gentlemen, I think that Mr. Thompson has given you a good idea of the different elements that enter into the fixing of rates and commissions. I want to ask two or three questions to see if we can not summarize this information.

What is the average rate of interest on farm mortgages in the United States?

Mr. THOMPSON. It varies from $5\frac{1}{2}$ to about 10 per cent; that is, the State averages all vary. We hesitate, in view of those large variations, to give a blanket average for the country, because all averages are misleading. Even the averages for States are misleading, as we have shown from certain illustrations already given.

The CHAIRMAN. The statement has been made, and very largely quoted and relied upon, that the average rate is something in the neighborhood of 8 or $8\frac{1}{2}$ per cent. Is that too low in your judgment?

Mr. THOMPSON. If we are to weight the average, which would make a true average, I should say that would be a high average.

The CHAIRMAN. What, in your judgment, is the average commission charged on farm loans in the United States?

Mr. THOMPSON. Again, I should like to answer as I answered the question regarding interest rates, by saying that it varies from practically nothing, as you see in States that are practically self-supporting in reference to farm capital, to as high as 2 per cent in some of the newer and relatively undeveloped States.

The CHAIRMAN. What have you found to be the average extra costs, aside from interest and commissions on farm loans?

Mr. THOMPSON. We have considerable information on the costs of the other items. You undoubtedly refer to the abstract of title and recording fee.

The CHAIRMAN. Yes.

Mr. THOMPSON. You have the making of the abstract in the first place, and then the examining of the abstract afterwards, which is another item. These are two separate costs.

The CHAIRMAN. Certainly.

Mr. THOMPSON. There is the recording fee. Anyone familiar with the farm-mortgage business knows that there is a very wide variation in the cost of the abstracts of title, depending upon the number of entries you have to make to complete your abstract. It may be \$10 or \$150. It is very misleading, I believe, to try to give any blanket average, because the figures depend so much on the specific conditions on which the abstract itself is made up.

The CHAIRMAN. Could you give that in percentage, varying from a certain per cent to a certain per cent in different sections of the country?

Mr. HELGESEN. That is not run on a percentage basis.

The CHAIRMAN. I know it isn't, but I thought maybe he had calculated it.

Mr. THOMPSON. In the light of the large variation, it is not deemed wise to calculate it in percentages.

The CHAIRMAN. Then, you say that the cost of this abstract of title varies from \$10 to \$150 or more?

Mr. THOMPSON. Yes, sir.

The CHAIRMAN. What, then, would you say would be the average cost—the total cost—upon farm mortgages in this country? You have from 5 per cent to 10 per cent in interest rates; you have from no per cent to 2 per cent in commissions; you have from \$10 on a hundred-dollar mortgage to \$10 and up to \$150 on a thousand-dollar mortgage for registration, title, inquiry, etc. About how much would you estimate the cost now on a farm loan?

Mr. THOMPSON. In presenting our data, Mr. Chairman, to the sub-committee of the joint committee on rural credits, we thought best to combine the average for interest with the averages for commissions, which could be put on an annual basis conveniently and fairly accurately.

The CHAIRMAN. Yes.

Mr. THOMPSON. We did not see fit to try to combine with that the computed averages for abstract of title, for instance, and other costs. Therefore, the sum of those first two items is presented, and I think that the variation in the other items, due to character of the loan itself, is such that it is of doubtful value to try to give a total.

The CHAIRMAN. I am inclined to think that you are correct about that. So that the average cost on farm loans would be anywhere from 5 to 10 per cent for interest, and from no per cent to 2 per cent for commissions, plus whatever charges are customarily charged in the section or community for inquiry into the title, registration fee, etc.?

Mr. THOMPSON. Yes, sir; that is correct.

The CHAIRMAN. And each member of the committee, from the standpoint of his own community, would have to estimate the other costs?

Mr. THOMPSON. Yes, sir.

Mr. LESHER. What did you find in the States with reference to the relation of taxation to loans? In Pennsylvania, the lender has to pay 4 mills. Did you find that varies in the States?

Mr. THOMPSON. Yes, sir.

Mr. LESHER. What is the variation?

Mr. THOMPSON. The subject of taxation has undoubtedly a very definite relation to interest rates in the States. I may say that such information as we have, as well as such conclusions as we can draw in the light of our general knowledge, leads us to state that, in our opinion, there is a definite relation between the tax rate and the interest rates charged upon loans.

Mr. LESHER. In the State of Pennsylvania, a man could make a loan for 5.4 per cent so as to get 5 per cent. I know it plays an important part up there, because they make a loan of 5.4 per cent so as to get the 5 per cent and still cover the tax.

Mr. HELGESEN. I was going to say that in some States where the foreign lender does not pay any tax they get the highest rate of interest.

The CHAIRMAN. Would the factor of the taxation of the mortgage have anything to do with it?

Mr. THOMPSON. I would include that in my statement.

Mr. REILEY. Is it not a fact that the question of abstracts of title and the costs of the same are frequently eliminated, as it is a question of only a couple of dollars?

Mr. THOMPSON. That varies very much in different parts of the country. We often find, where they are a little bit in doubt as to the character of the work done by the men who made up the abstract in the first place, that there may oftentimes be unnecessary costs in running back and repeating work that has been done before. We find that in many sections of the country. We also find, aside from that, that the cost of examining the abstracts is very important.

Mr. STEELE. Those are all necessary expenses, are they not?

Mr. THOMPSON. I should say they are necessary expenses as long as your system of title registration or the recording of titles is as it is.

Mr. STEELE. How would you compare the Canadian method with ours, as to economy?

Mr. THOMPSON. I would say that the system that has been adopted in some provinces in Canada and some countries of Europe and the Orient has, in many cases, led to decided improvement in reference to that phase of the question.

Mr. HELGESEN. Under our present system, there is a manifest injustice to the man who has to borrow money in regard to the abstract of title, because, if I make a loan, the lender has to furnish an abstract, and the abstract has got to go with me, as a guarantee to the man who furnishes the money. In the course of five years you find that you can not pay the mortgage and may want to make a loan somewhere else—perhaps at a better rate. The man who lends the money holds the abstract, and you have to make a new abstract, and then the other one is on your hands. It doubles the cost.

Mr. REILLY. All you have to do in Wisconsin is to get a certified copy of the original abstract and go to any lending company and it is accepted.

Mr. HELGESEN. A certified copy will cost as much as the original.

Mr. REILLY. No, sir; anybody can certify to a copy. A clerk can do that. It takes an expert to draw an abstract.

The CHAIRMAN. Let Mr. Thompson proceed now; he is a sick man and we do not want to tax his powers. Dr. Thompson has given us a pretty good idea of his work on rural credits.

Mr. HELGESEN. What, in your opinion, is the value of the so-called Torrens system of Canada?

Mr. ANDERSON. That is not the Torrens system in Canada. The Torrens system was originated in Illinois.

Mr. THOMPSON. I do not believe that we should let a mere name divide us. I think you have in mind where you have a certificate of title in place of the recording system.

Mr. ANDERSON. That is it.

Mr. HELGESEN. In Canada you can, for a certain price, have your title examined by the Government by paying a certain percentage

of the loan, which is very small. The Government takes over the responsibility and issues a certificate, and in case any other party comes in afterwards the Government is responsible.

Mr. THOMPSON. We are thinking about the same thing. When I said "certificate," of course, it was a Government certificate that I had in mind. It seems to me there are obvious advantages in having a certificate system.

The CHAIRMAN. Are there any further questions?

Mr. RUBEY. The difficulties we have in our country under the present conditions are that a man borrows \$5,000, and when his term expires he is no better able to pay it than when he began; he is compelled to borrow again, and so there is a repetition. Have you taken up the question of having him pay a higher rate, and pay a part of the loan in installments, so that at the end of a certain period he will have paid off the loan? Have you taken up that matter?

Mr. THOMPSON. Yes, sir.

Mr. RUBEY. Can you give the committee a little information on that?

Mr. THOMPSON. That would come, I take it, in any suggestions that might be made with reference to proposed improvements.

The CHAIRMAN. Yes.

Mr. RUBEY. The question as to appraisals would, I take it, include a number of matters.

Mr. THOMPSON. Confining our attention first to the farm-mortgage loan problem, it seems to me that anything that will tend to encourage local savings or render local capital better available for farm loans is to be encouraged; and likewise anything that will facilitate the flow of distant capital into any given locality where farm-mortgage loans are being asked for. Now, as stated in the earlier part of the testimony, where we find high commission rates we also find relatively large amounts of capital coming from the outside. Naturally, it is important that such localities should be able to get outside capital in an economical way.

It seems to me that it is also important in those localities to lend every encouragement possible to the building up of suitable facilities for the accumulation of the local capital, for the reason that you can never build up a substantial credit system in any locality unless you give attention to the garnering of local savings and building up of local capital as a part of the program. In other words, if you do not attempt to show that there is some local capital available, the chances are that you are not going to inspire confidence in outside capital so readily. I am not attempting to minimize the importance of getting outside capital, but I believe you will find, in those sections of the country where they have built up the best credit systems, that they have accumulated, as part of their business, a considerable amount of the local capital available for that particular kind of credit.

Now, for handling the outside capital, which, under existing conditions, and under any conditions, would have to reach across and pass over several States, it seems to me that relatively large institutions could very well be established.

The CHAIRMAN. What do you mean by "large institutions"? Have you anything specific in mind?

Mr. THOMPSON. I am thinking now of institutions that would serve in the nature of factories, to assemble well standardized mortgages and convert them into liquid securities and be of such character as to go into the best investment markets and market the securities to the best advantage.

The CHAIRMAN. Interpreted into present day thought on this subject, you have in mind a system of land banks, to convert farm mortgages into farm bonds?

Mr. RUBEY. He has not finished answering my question. I do not think you got the question. I am trying to get at the amortization feature.

Mr. THOMPSON. Going over the explanation as to what the relatively large institutions would be, it would be important to explain the features that would enter in. Naturally there is the question as to what is required when you come with a bond that will float on the market at a low rate. What are the requirements of such a bond? What kind of mortgage can you put under it, in order to make the bond go into the market and take its place alongside other investment bonds? One of the things is the time element. Another element entering in is the question of standardization. Now, if the mortgage runs a certain length of time, great care must be taken to see that the security is kept up and that there is no depreciation during the term of the mortgage. The amortization requirement is one means of improving this security, since it gradually reduces the debt while the security remains the same. That is one reason why that has been given such important consideration. Another reason is that those farmers, for instance, who are willing to take a loan and comply with the amortization requirement will automatically, as time passes, not only pay the interest but the principal, and when a certain time has elapsed the debt is paid.

Mr. RUBEY. As to the rates, have you figured out what would be a proper rate to have in order to carry out and pay off loans, say in 20 years, 25 years, etc?

Mr. THOMPSON. You mean amortization tables?

Mr. RUBEY. Yes.

Mr. THOMPSON. We have amortization tables at hand to show you, which are really a part of the exhibit.

Mr. REILLY. I had the same thought that Gov. Rubey had in mind. You pay 5 per cent, with 1 per cent to get the loan, to the agent, and then it provides, in most of those loans, as I understand it, that you can pay a part of the principal on any interest-paying day. Then, if you pay a portion, say one-half or one-third the first year, if you figure out the interest, you would have to pay for the whole loan.

The CHAIRMAN. That is all worked out in standard amortization tables.

Mr. THOMPSON. As I said, a moment ago, we have in one of the bulletins which is here as an exhibit a number of these amortization tables.

The CHAIRMAN. I will have to ask one question in connection with that. I do not believe it was asked before the joint committee. Have you determined what effect, if any, the principal of amortization has in reducing the rate of interest on a given loan? Does the fact that the investor knows that repayments on the principal are bound to be

made periodically have any effect on him in making a lower rate of interest?

Mr. THOMPSON. It does, undoubtedly.

Mr. HAUGEN. Is it not a fact that in all loans that are made the borrower has the right to pay \$100 or any multiple thereof on any interest-paying date?

Mr. THOMPSON. In some sections that does apply.

Mr. HAUGEN. Not all?

Mr. THOMPSON. No, sir.

Mr. HAUGEN. To what extent is that practiced?

Mr. THOMPSON. That is a very common practice in the corn belt.

Mr. HAUGEN. Where good security is offered?

Mr. THOMPSON. It is being introduced to some extent in certain other sections.

Mr. HELGESEN. Mr. Thompson, it struck me that your reply a while ago was somewhat conflicting with the former testimony. You said that where a certain percentage was paid back in amortization it would tend to lower the interest, that is, that the lender would be willing to accept less interest on a short-time loan, and I understood you to say previously that the lender would lend the money for a less rate on a long-time loan?

Mr. THOMPSON. I think not. In the case of amortization loans, it is not to be assumed that the investor himself gets back those amortization payments. It is the big land banks that get them back.

The CHAIRMAN. That is the way.

Mr. HELGESEN. That is what I wanted to bring out in my inquiry. Just one further question: Have you ever, in your investigations, been able to determine in the various States what the actual loss has been in farm-mortgage loans for the last 10 or 15 years, after the almost slipshod methods in which they have been placed?

Mr. THOMPSON. I think, before you came into the room, Mr. Congressman, the question was raised and a statement made.

The CHAIRMAN. Yes.

Mr. THOMPSON. But there is not, as far as my information goes, any definite relation between actual loss and high rates, and yet I should like to add this, that when I stated a moment ago that the data given represented present conditions I would not imply that we have not investigated historically the farm-loan situation. We have. We have not only looked into present conditions but we have also made a study of the changes in the loan situation, going back over a certain period of time.

Mr. HELGESEN. I presume you will concede that in the enactment of a farm-mortgage law that, if we should pass any such bill as that, one of the principal things necessary would be the probable amount of loss. I do not care if you give it now, but if you can furnish that information, if possible by States, it certainly would be very desirable.

The CHAIRMAN. It seems to me, Doctor, your best answer to that would be the losses on that kind of security in countries where they have well-established systems of rural credits. Could you give that too?

Mr. THOMPSON. Mr. Chairman, I take it that in the establishment of a farm-loan bank system one of the primary aims will be to make that system a means of standardizing farm-mortgage securities. As

a necessary corollary to that, the test would come in fixing standards and then selecting, by proper administrative machinery, mortgages to conform to those standards. It seems to me we can get some very valuable suggestions in that connection from the machinery of the large insurance companies. Some of these insurance companies reach over a major section of the territory of the United States—single insurance companies—and they have built up their own machinery, fixed their own standards, and operate with practically no losses. They have kept records and assembled information by localities and have plats and diagrams at hand to show this information.

Mr. HELGESEN. In your opinion, then, if the loans were properly placed, there could be no losses?

Mr. THOMPSON. If loans are properly placed there will be no need of losses—of any considerable losses.

Mr. HELGESEN. As an illustration of that, there is one big insurance company in our State that has been lending from a million and a half to two million dollars a year for the last 15 years, and they have never lost a cent. That shows a possibility of making the bonds so good that there can not be any losses. That is one of the difficulties we have run into in discussing this—how much the losses will be.

The CHAIRMAN. You have a complete answer to that in the records of the various rural-credit systems of many other countries where the losses have been practically nothing. Even now we have machinery in this country where the losses are practically nothing.

Mr. HELGESEN. I think that answers the question better than reference to the foreign countries.

Mr. ANDERSON. What part of the interest rate is represented by the actual cost of making the loans—I mean the entire cost of making the loan?

Mr. THOMPSON. That would vary to a very considerable extent in different sections of the country. That reopens the question of whether you are in a locality where you are dealing with outside capital, where the costs are higher than in the case of local capital.

Mr. ANDERSON. Take, for instance, the large insurance company with all the machinery necessary for standardizing the loans, etc., the making of appraisals included: what proportion of the interest rate in a case of that kind is represented by the machinery in making the loan?

Mr. THOMPSON. To give a blanket statement would suggest something that would be misunderstood very much, I think. If I understand the question, it is one that I would prefer to discuss and point out elements in rather than to give a specific percentage.

Mr. ANDERSON. Perhaps the question would be easier to answer if I changed it. There are some bills still in Congress which provide for loans practically direct from the Government. There may be no possibility of such bills passing, but that raises at once the question of the cost of making the loan.

Mr. THOMPSON. The cost of making the loan depends on the volume of business and on the kind of territory you are operating in. I could illustrate it better, perhaps, by pointing out certain things which would show that clearly. I have just shown on the chart that

one-third of the farm-mortgage loans in Iowa come from the insurance companies. That is practically outside capital, and yet there is such a bulk of business there that you can run it on a very small margin, as anyone who is familiar with the situation knows. Let me take one specific phase of the situation, by way of illustration: In appraising a farm in some localities, it may be necessary to send the field man some distance; then the man has to have a rig, he has to pay so much a day for his board, besides his railroad fare, etc., and all of that goes into the cost of inspecting or appraising that land. Contrast that situation with territory where there are many loans, with well-organized machinery, and where the appraiser can use an automobile. He has a list of prospective loans which he covers practically in a day. He sees, say, 9 or 10 farmers between morning and night, and it costs him, perhaps, \$1.40 or \$1.50 per farm to inspect. You see the wide contrast with reference to that one item.

Mr. HELGESEN. You are speaking about insurance companies' loans that are made by the insurance companies?

Mr. THOMPSON. Every big insurance company standardizes its own securities. I am not speaking of the small ones that go into the market to buy loans, but I am speaking of the large insurance companies which have their own field appraisers and do not finally accept any mortgage loan before their own field appraiser has seen the individual farm and given his appraisal on it.

Mr. HAUGEN. I will state this: I have been doing business with them for 25 years, and that is not the fact. The fact is this: You must have the land appraised by some competent person who knows something about the land. When put in, the appraisal is made by neighbors who have knowledge of the quality and value of the land.

Mr. THOMPSON. I believe the gentleman is from Iowa?

Mr. HAUGEN. Yes.

Mr. THOMPSON. I am well familiar with the conditions in Iowa. I have interviewed the district agents of the lending insurance companies in Iowa and know their methods. Of course, they say, "If we have gone over a district manager's territory, and know certain farms, and have made a record of them, we may not have to go and see those particular farms again at that specific time; but we have always got a specific appraisal of a given farm in every instance where we accept the loan."

Mr. HAUGEN. In Iowa about 95 per cent of our land is tillable land; it is uniform, and a State agent has knowledge of all the counties and of the land which is not tillable, which is the narrow strip of bluffs on the Mississippi River. Outside of that, land is quite uniform in value. Of course, it varies in counties, but in the county itself there is not very much variation, and by getting an accurate description of the land and an appraisement by the neighbors, they are able to determine at the head office the value or near the value of the land.

Mr. THOMPSON. It was explained before you came in that part of the equipment of these companies consists of charts, tabulations, etc., at the head office, gathered from year to year, which they can consult in connection with any specific loan.

Mr. RUBEY. I have had a great deal of experience in farm loans. I have never known an insurance company to make a loan in the

northern part of the State, where I lived for years, or in the southern part, where I live now, that was not appraised by an agent of the company.

The CHAIRMAN. Getting back to Mr. Anderson's question of the cost of making the loan, my recollection is that in most of the countries that have rural-credit systems the cost will vary from thirty-five hundredths of 1 per cent to 1 per cent, and not more than $1\frac{1}{4}$ per cent in any country that I have any recollection of. Is that about right?

Mr. THOMPSON. I think that applies to those countries most prominently discussed.

The CHAIRMAN. Yes. For instance, Germany and countries of that type. In Germany I believe it is about 35 mills.

Mr. HAUGEN. You mean 35 per cent of 1 per cent per annum?

The CHAIRMAN. For making the loan. Is that the initial and whole cost of making the loan there?

Mr. THOMPSON. That is the annual amount.

Mr. HAUGEN. How does that compare with the commissions charged in this country?

Mr. THOMPSON. Before you came in we discussed the commissions and the averages by States and by subdivisions within the States, and we showed that they ran as high as 2 per cent in some sections.

Mr. HAUGEN. Two per cent.

Mr. THOMPSON. For the whole period, the annual average commission.

Mr. HAUGEN. What is the charge in Iowa?

Mr. THOMPSON. In Iowa, as you see, the total average cost for interest plus commission is less than 6 per cent, but your commission there is less than half of 1 per cent. The exact decimal is shown in the exhibit submitted to the committee.

The CHAIRMAN. Let us have Dr. Thompson take up some other line of work, because we do not want to tax him. He is just out of bed.

Mr. HAUGEN. You spoke about establishing large factories in certain localities. I take it that you had reference to some loaning institution—banking, or farm credit, or whatever it may be. What is your idea? I notice, for instance, in Georgia the rate is 9 per cent; in Iowa it is less than 5 per cent; is that correct?

The CHAIRMAN. That is about right.

Mr. HAUGEN. Is it your intention to manufacture sentiment—to encourage people to loan money at a low rate for less security than to those offering ample security?

Mr. THOMPSON. No.

Mr. HAUGEN. How are you going to overcome the differences?

Mr. THOMPSON. Your question was answered a while ago, in part at least, when I stated that the purpose of these institutions was to fix standards and to accept only securities that came up to those standards.

Mr. HAUGEN. That is practically what is being done by the loan and insurance companies and by all large corporations; they have fixed standards, as you see them here on that chart. The standard in Georgia, I take it, is much lower than it is in these other States receiving a lower rate of interest. How are you going to overcome

the difference? Is the proposition for Iowa to loan its credit to Georgia, and thereby increase Georgia's security?

Mr. THOMPSON. I do not understand it that way.

Mr. HAUGEN. Probably not to that extent, but to what extent would you take care of the difference in the security? The land is there, and everybody has his opinion as to its value; and, so far, Georgia and some of these other States have not been able to attract the attention of people with money. How are you going to overcome that? Eventually the productivity of the soil determines the value.

Mr. THOMPSON. The discussion so far this morning has made it clear that we realize that there are many factors that enter into this situation.

Mr. HAUGEN. What is the most important factor in making a loan?

The CHAIRMAN. Let me say that Dr. Thompson covered that this morning before you came in.

Mr. RUBEY. Yes; and he is sick, too.

Mr. HAUGEN. That has been covered?

The CHAIRMAN. Yes; not only this morning, but he has covered it fully in 100 pages of testimony before, which I will have sent to the members of the committee.

Mr. STEELE. The point is, as I understand, that he wants to standardize Georgia's securities and to standardize Iowa's securities. In other words, taking a piece of land that is worth only a thousand dollars, a certain amount would be a reasonable loan to make upon it; and if that 160 acres would only justify a five-hundred-dollar loan, then 160 acres in Iowa could stand a ten-thousand-dollar loan. That is the point, is it not?

Mr. HAUGEN. Yes; but let us see about this standardization. Is it proposed to take John Jones's farm, worth \$20,000, and to put it up as additional security to Tom Thompson's farm, worth \$10,000, and thus enable Thompson to borrow more money on his farm?

The CHAIRMAN. No, and Mr. Thompson has not made any such suggestion.

Mr. HAUGEN. If guaranteed by the corporation holding the bonds, that is what it amounts to. If a loss, the loss must be made good either out of the profits, capital, or stockholders, then how is the security assessed upon?

The CHAIRMAN. Mr. Thompson in his testimony before the joint committee on rural credits spent two days on it, so that his detail of all this will be available to you. I do not want to overtax Dr. Thompson, who is just out of bed.

Mr. HAUGEN. Mr. Chairman, what I would like to know is, who are back of this movement, this farm credit, and all these schemes that have been proposed? Is it in the interest of the bankers and insurance companies, who come before this committee and seem so enthusiastic over this movement, or is it in the interest of the farmer? If it is the latter, then give us some workable plan and we will all join hands and assist you in any way we can. But if it is in the interest of the bankers and these large insurance companies, I think they are quite capable of taking care of themselves, for I hardly believe that any department or Congress can assist them very much in

their business. They are trained in that line of business and will be able to take care of themselves very ably.

Mr. THOMPSON. Is that a question?

Mr. HAUGEN. Yes, that is the question.

Mr. THOMPSON. I can say that, so far as the aim of the Department of Agriculture is concerned with reference to this particular investigation, it is to study ways and means of improving the farm-loan situation, so that the farmers can secure credit on more reasonable terms, if possible.

Mr. HAUGEN. And make it easier for the insurance companies, as Mr. Anderson stated in referring to the expense of making the loans. The farm-credit system would take care of all the expenses, all the papers, and all the applications, and not only turn over the securities, but turn over the credit of the institution, which, of course, includes all the farms to the extent the loans made and held by the organization, its capital, surplus, profits, and whatever else may be pledged.

Mr. THOMPSON. Is that a question?

Mr. HAUGEN. That is the question.

Mr. THOMPSON. That covers a great deal; it covers a whole system or a whole plan, I take it.

Mr. HAUGEN. Would you hold that it would be for the benefit of one or both, or jointly?

Mr. THOMPSON. Our primary aim is to work in the interest of improving farm-loan conditions, so that the farmers may get loans on better terms than they now get them.

Mr. HAUGEN. With the end in view of suggesting some plan for making the loans?

Mr. THOMPSON. With the view of furnishing all possible assistance.

Mr. HEFLIN. So that the farmer can get loans on better terms and for longer periods of time?

Mr. THOMPSON. I include all those things when I say "better terms."

Mr. HAUGEN. In order to carry out this plan, would it be necessary for John Jones to lend his security to Tom Thompson?

Mr. THOMPSON. Suggestions have gone to the joint committee on rural credits, and, as the chairman has said, they are in the record now. Now, we have other things as well which I had in mind to speak of.

The CHAIRMAN. I wish you would.

Mr. HAUGEN. Have you discovered any way of dealing with this matter of security, other than one man loaning his credit to another?

Mr. THOMPSON. We know of no substitute for security in credit.

Mr. HAUGEN. Then, if John Jones has a farm worth a thousand dollars, and he needs \$2,000, the only way that he could get the money would be for him to furnish more security?

Mr. THOMPSON. That is the assumption.

Mr. HAUGEN. Is it the plan that the security of others shall be added?

Mr. THOMPSON. The problem of rural credit is just as much a problem of withholding credit where it will not be properly used or properly based as it is to extend credit where it will be properly used and properly protected.

Mr. HAUGEN. If I am taxing you too much, let me know, because I do not want to overtax you. Let us say that here is a farmer with a thousand dollars security. That is all that any man will loan him on that piece of property, but he needs \$2,000. Now, is it the aim of the department to enable him to secure a two-thousand-dollar loan?

Mr. THOMPSON. I do not know that it is. I have not had any such idea.

Mr. HAUGEN. If a thousand dollars is all that could be safely loaned on one piece of property, how are you going to improve on that condition? Here is a loan company which says, "We will loan a thousand dollars." Now, that is all the security in sight. He can have a thousand dollars to-day. Now, where are you going to improve on it and increase his loan? That is actually what it is worth—a thousand dollars—and that has been determined and agreed upon by everybody.

Mr. THOMPSON. In our early discussion we pointed to a number of factors that affect the loan situation, showing that improvement may be possible along a number of lines. We admit that there are lines along which improvement is impossible. It is not to be assumed that you can do the impossible. It is to encourage the kind of improvement that will recognize economy and the fundamental principles of credit and which will not violate any of the principles of credit.

Mr. HAUGEN. I agree with all that.

Mr. STEELE. On the matter of your standardization, you are not requesting that he can get credit or a loan beyond that standardization?

Mr. THOMPSON. No.

Mr. HAUGEN. It is easy enough to talk about "standardization" and low interest, but how is it going to be done? When you speak of standards, what are your standards? How are you going to increase this security? I think that we agree that the security back of it is absolutely the most important factor in getting a loan. We agree as to that, I take it?

Mr. THOMPSON. Yes. The explanation was made earlier here that one way would be to improve the facilities for the accumulation of local capital available for investment for farm loans.

Mr. HAUGEN. Yes; I agree as to that. There is no question about that.

Mr. THOMPSON. Another way will be to make more economical, if possible, the means of contact between farmers and distant investment capital.

Mr. HAUGEN. All right; we will agree about that.

Mr. THOMPSON. There are two important lines of improvement.

Mr. HAUGEN. But you have to have the security. You have not the security yet.

Mr. THOMPSON. There you are suggesting things that we have already discussed. For instance, it has been stated here that farmers, on their side, need to understand the elements that enter into first-class security in farming. The differences in their farms and methods of farming have much to do with the credit they can command, of course. There are many avenues through which improve-

ment may be effected, some of which may be indirect rather than direct.

Mr. HELGESEN. We have in North Dakota as good security, I claim, as there is on earth. Take the Red River Valley, where there is no better security in the world, and yet we are not getting the low rate of interest that no better, and often not as good, security is getting in other States. If you could so establish confidence that the lender in our State would be willing to give us as low a rate as in Iowa and Illinois—

Mr. HAUGEN (interposing). Evidently, in the opinion of the lenders, you have not their confidence. No one questions the value of North Dakota soil, but in the opinion of the persons making loans you have not the security to offer. It is recognized by everybody that the corn belt is the surest, safest, and best security, and the records will sustain the assertion that, while in North Dakota (as you know as well as I do) there are dozens and probably hundreds of mortgages that have never been paid, and there have been foreclosures. A foreclosure in Iowa is an absolutely uncommon thing.

Mr. RUBEY. The statement was made that there have not been any losses in North Dakota at all.

Mr. ANDERSON. If that statement was made, it was not true.

Mr. RUBEY. I do not think we should have the witness go over all these things that he has been going over all this morning.

Mr. HAUGEN. Who made the statement that there were no losses in North Dakota?

The CHAIRMAN. Mr. Helgesen made it.

Mr. HELGESEN. I said I know one man who has been placing from a million to a million and a half a year for twelve or fifteen years, for a large insurance company, and has never lost a cent, and I know of many others of a similar kind. You take the great Red River Valley and you can not show me any loss in the last fifteen or twenty years.

Mr. HAUGEN. I was not discussing that, but I say there have been losses and foreclosures in North Dakota.

Mr. HELGESEN. Any system that can establish the confidence there, as it is elsewhere, will improve it.

The CHAIRMAN. Mr. Thompson, I think that completes, in a general way, your statement on rural credits. If it does not, go on with what further you have to say.

Mr. HAUGEN. Mr. Chairman, I do not want to impose on the witness; that is not it. But I do say that I would like to have someone with knowledge of this loan-credit proposition appear before this committee and give us something definite.

The CHAIRMAN. And my answer to that, Mr. Haugen, is that the witness, in your absence, has been giving that to the committee.

Mr. HAUGEN. Probably he has, and probably he has not.

The CHAIRMAN. It is not in my power to control these hearings, and, if we desire to repeat these things as each member of the committee comes in, all right; that is up to the committee.

Mr. HAUGEN. Mr. Chairman, we have probably spent about an hour on this proposition. We have spent days on matters of small importance.

The CHAIRMAN. Look at the record and we will see who spent the days. I did not do it.

Mr. HAUGEN. Let me finish. This marketing proposition—no hearings were held in this committee. We have this whole system, particularly, without any hearings or investigation beforehand. We started with a small appropriation, and the indications are now that it will run into millions of dollars. Now, here we have another proposition, and the first thing we know we will be committed to a proposition and start out with twenty or thirty million dollars at first, and it probably will finally cost the Government hundreds of millions of dollars. I do not know what the policy of the present administration is. One day the President says he is for it, and another he is against it. If it is the policy of the administration to take up rural credits, let us hear these witnesses and know something about it.

The CHAIRMAN. I would say, in answer to that, gentlemen, that Congress at its last session appointed a joint committee on rural credits. The gentleman from Iowa was a member of the conference committee which agreed to that. That committee has been engaged in detail work since early in November. Mr. Thompson appeared before that committee and spent more than two days in giving his testimony. That testimony is printed, and I have directed the clerk of this committee to furnish each member of the committee with a copy of that printed testimony. Furthermore, the committee took testimony from members of the Reserve Board and from the Comptroller of the Currency, and in addition to that we had testimony from other committees of Congress last year. We had all of the literature on the subject that was available printed for the use of the committee, comprising probably twenty-five or thirty thousand pages, and that is available likewise to the Members of Congress. This committee does not have jurisdiction in the reporting of this rural-credit bill. If it did have, and if we were studying this question initially, I would say that we could go on with a lengthy discussion of this proposition. Personally, I would not be willing to base my conclusions upon any conclusions that Mr. Thompson might reach alone. I would desire to bring in witnesses from different sections of the country who have information on the subject. But if the committee desires to go into this matter exhaustively and to cover again the work that has been done by the Banking and Currency Committee of the Senate and House and the other joint committee of the House and Senate last year, and likewise the testimony that has been collected by the commission that visited Europe some years ago, I will put it up to the gentlemen of the committee as to that. That is my statement.

Mr. HAUGEN. Mr. Chairman, by act of the conference committee and by act of Congress, this matter is squarely before this committee.

The CHAIRMAN. Not at all.

Mr. HAUGEN. Absolutely. They provided for a joint committee, and it is as properly before this committee as it is before the Committee on Banking. In bringing this matter up I do not want it understood that I am questioning the excellent work done by this joint committee. That committee did good work. But here is a big proposition, and if Congress is to deal with it this committee ought to go into the matter thoroughly. Of course, the chairman has more knowledge of what is the intention of the administration, and, if it is to avoid rural credit now, as was done last Congress, by not acting on it, but simply referring the matter to a subcommittee, there is no

use of spending any time on it. We know what these references are for. We know that is a subterfuge and that that is one way to get away from it. You know the sentiment here was for rural credit and that the President was squarely opposed to it.

Mr. RUBEY. You are stating your own views now.

Mr. HAUGEN. But I am stating the views of the President himself. I insist, if we are going to commit ourselves to a policy that may involve this Government to an extent of a hundred or more million dollars, that we should have some information.

The CHAIRMAN. Gentlemen, what is the desire of the committee; that this committee shall ask Congress to give it authority to call other witnesses on the question of rural credit and go more thoroughly into this question than it has gone this morning? What is the will of the committee on that proposition? I am the chairman of the committee, and I am the servant of the committee.

Mr. HAUGEN. I suggest you take a record vote on it, if you want to, but no one has made any such suggestion.

The CHAIRMAN. If some one will make a motion, I will entertain it.

Mr. ANDERSON. What is it all about, anyway?

Mr. RUBEY. I have not any motion to make, but I say this: The Secretary of Agriculture has submitted to this committee the estimates of his department of expenditures necessary to conduct that department for the coming fiscal year, and I think it is the duty of this committee to make a careful and thorough investigation as regards those estimates, but further than that I do not think this committee has any authority to go into the matter under discussion.

Mr. HAUGEN. You think we should ignore the instruction from Congress last year?

Mr. RUBEY. I do not think, Mr. Haugen, that you can cite me to any direction of Congress that instructed this committee to make any investigation whatever of the rural-credit proposition.

Mr. HAUGEN. It refers to this committee; I do not know that there were any instructions.

Mr. RUBEY. No; absolutely not. You can not cite me to one iota of evidence in support of your statement that this committee has been requested to do anything in the matter.

Mr. HAUGEN. I did not say "requested."

Mr. RUBEY. Or any statement of any kind or character.

Mr. HAUGEN. I will just refer you to the appropriation bill last year. That is all that is necessary.

Mr. RUBEY. Read it.

Mr. HOWELL. Is there any rural-credit bill before this committee?

The CHAIRMAN. If there is, I do not know anything about it. I will ask the clerk if there is.

Mr. MURPH. None.

The CHAIRMAN. The clerk says there is none.

Mr. ANDERSON. I move that we proceed with the statement of the witness.

The CHAIRMAN. Mr. Anderson makes a motion that the committee proceed with the statement of the witness, and, without objection, that will be so ordered.

Now, Mr. Thompson, what other recommendations have you to make, sir?

Mr. THOMPSON. If you will turn to the wording of the appropriation itself, you will notice it says:

To enable the Secretary of Agriculture to make studies of cooperation among farmers in the United States in matters of rural credits and of other forms of cooperation in rural communities; to diffuse among the people of the United States useful information growing out of these studies in order to provide a basis for a broader utilization of results secured by the research, experimental, and demonstration work of the Department of Agriculture, agricultural colleges, and State experiments stations.

I cite that to show that this topic, rural credits, is one of several topics which we have been asked to study under a larger topic of cooperation and organization, and that in connection with our organization studies or studies of cooperation we have been asked to include certain lines of information, such as those that have been dwelt on here this morning, with reference to costs, conditions, and facilities; but, inasmuch as it comes under the item of cooperation generally, the question of how far improvement is possible through organization among farmers themselves is more particularly the assignment, and therefore some study has been made to see how far in different parts of this country organization for credit improvement has taken place and what information, if any, of value along that line might be obtained.

Mr. HOWELL. Under this item, have you considered that it is your province to recommend to this committee or to Congress any particular kind of legislation regarding rural credit, or is it just to furnish information upon which some committee may base its action?

Mr. THOMPSON. The latter.

The CHAIRMAN. As I understand, the policy of the Department of Agriculture and all other departments is not to make recommendations, other than those contained in their estimates, except when requested to do so by some action of Congress.

Mr. ANDERSON. To what extent do you find that the cooperative organizations which now exist can lend themselves to rural-credit purposes, and in what way?

Mr. THOMPSON. That suggests the propriety of presenting one bulletin which has been prepared by the office, Farmers' Bulletin 654, "How farmers may improve their personal credit," and the illustrations and the data given there refer more particularly to how farmers, through organization, have improved or may improve their personal credit. If you will look into that bulletin, you will notice that under the first division there are three plans outlined that have been employed in different sections of the country. I do not know whether you want me to go on and explain what those plans are or not.

Mr. ANDERSON. I do not care to have you go into anything that is in the bulletin, now. I was simply wondering if you could state in a general way, briefly, the relation between the ordinary shippers' organizations, cooperative creamery organizations, and other organizations which now exist among farmers, and discuss the general question?

Mr. THOMPSON. Of course, that suggests an aspect of the question which is just a little aside from what I am speaking of. The financing of organizations themselves for organization purposes—for in-

stance, the marketing of apples through big marketing organizations, and how they finance those enterprises—has been investigated under the project “marketing business practice,” and there is an article available now which shows, for instance, how the producers in the apple industry have been advanced funds from their sub-central and also from the central organization and what machinery has been employed in connection with that question of financing. I intended to omit that, because it comes more directly under another project.

Mr. BRAND. That proposition is aside from the systematic study of rural credit as an institution. Just as an illustration, which will probably answer Mr. Anderson's question, a cooperative association in the State of Washington borrowed from a bank \$85,000 on a note of this association, saving on its purchases \$15,000. The cooperative associations that are efficiently managed do a great deal of such financing and save large sums of money.

Mr. ANDERSON. Is it possible for the organizations existing to pool their interests in such a way as to render less necessary a rural-credit system?

Mr. BRAND. The development of cooperative organizations in the United States is so sporadic and so unevenly distributed that it could never accomplish the purposes of a uniform system, I am afraid. It might ultimately, but it would be a question of years.

Mr. HOWELL. And even if they did, that would not take care of the individual needs, would it?

Mr. STEELE. Are you now talking of personal rural credit or mortgage rural credit?

Mr. THOMPSON. We are on the question of organization for credit improvement.

Mr. HAUGEN. It has been decided here by the committee not to take that up.

Mr. STEELE. It is a thought I would like to have explained to me, and maybe we can get at it quickly. Let me see if I understand the object of this farm-mortgage credit matter. We have an organization of a group of us farmers here. If we want to borrow on long time, we guarantee through our organization the standardization of our credits. If we want to borrow on that, we each and all of us, through our organization, become liable for this loan. Is that the thought?

Mr. HAUGEN. I do not like to call my colleague to order, but, inasmuch as it has been decided that this committee shall have no information on this subject, let us proceed in an orderly way.

The CHAIRMAN. I will say, Mr. Steele, that that is not a matter over which Dr. Thompson would have jurisdiction at all, because that is a matter of policy to be dealt with by Congress. Mr. Thompson's province is to furnish facts, such as he has been furnishing this morning.

Mr. STEELE. I understand, but I supposed he had figured out some sort of system.

The CHAIRMAN. Mr. Thompson has made some suggestions to the joint committee on rural credits, which have been printed.

Mr. RUBEY. Mr. Haugen says he wants this language put into the record. I would like to have him point out the language he desires to have put into the record. Is it the second paragraph?

Mr. HAUGEN. It is the subterfuge that was provided for to avoid rural credit.

Mr. RUBEY. You were a member of the subcommittee.

Mr. HAUGEN. Of the conferees. Yes, indeed, and, knowing the record of the Democratic Party as to adjourning without passing a number of appropriation bills, there was nothing to do but to agree to the subterfuge, after the President and the Secretary of Agriculture had declared against rural credit.

Mr. OVERMYER. Did you make a minority report?

Mr. HAUGEN. Oh, no; it was simply a choice between having the appropriation bill defeated or standing for the subterfuge.

Mr. RUBEY. I make this point: The language referred to by Mr. Haugen is not in the present appropriation bill.

Mr. HAUGEN. No.

Mr. RUBEY. It is down here as having been a part of the bill last year.

Mr. HAUGEN. Exactly.

Mr. RUBEY. It is inclosed here in parentheses, which indicates that it is out of the bill and not to be considered at this time by this committee.

Mr. HAUGEN. That is the act of last year which referred the whole matter to the two committees instead of to one.

Mr. RUBEY. I desire, Mr. Chairman, to read this paragraph:

That there is hereby constituted a joint committee of the Senate and House of Representatives, to consist of the chairman of the Senate Committee on Agriculture and Forestry, the chairman of the House Committee on Agriculture, and the chairman of the Committee on Banking and Currency of the two Houses, and two other members of each of said committees, to be designated by the chairman of the respective committees, and it shall be the duty of said joint committee to prepare, after such investigations as may be deemed necessary, and report to the Congress on or before January 1, 1916, a bill or bills providing for the establishment of a system of rural credits adapted to American needs and conditions.

That joint committee was appointed and directed to report to Congress on the 1st day of January, 1916. Its work has been completed; it has made its report to Congress, and I hold that it is not in the province of this committee to act any further, so far as this language is concerned.

Mr. HAUGEN. It reported it to Congress here to take notice of it and give it consideration, and it has been held by this committee that this committee has nothing to do with it, and will not hear witnesses on that subject.

The CHAIRMAN. And, Mr. Rubey, you may say further that the report of the joint committee was referred to the Committee on Banking and Currency of the House, as well as to the Committee on Banking and Currency of the Senate, and not to the Committee on Agriculture.

Mr. HOWELL. How much further will we go with the question of rural credits?

The CHAIRMAN. Mr. Thompson, take up your next line of work, if you please.

Mr. THOMPSON. I would like to put into the record, because otherwise there will be nothing here to show what we are planning to do or what investigations we are aiming to continue to carry on, if the work is carried on—

The CHAIRMAN (interposing). Would you wish to summarize that for the record, or do you wish to print that bulletin as a whole? I imagine you can summarize it better than you can print it as a whole.

Mr. THOMPSON. One specific subject of investigation is the question of ways and means in which organization in various forms may be encouraged for credit improvement. Now, with reference more particularly to organization among the farmers for credit improvement, that opens up a special kind of study. No mention has been made of it, so far, in the hearings. It ought to be in the record, because it is really the important part of any plan with reference to further study.

The CHAIRMAN. Proceed, sir.

Mr. THOMPSON. The bulletin I have mentioned shows something with reference to organization for the improvement of personal credit. Since the publication of that bulletin, we have been gathering further information, and we have been attempting to work out tentative forms of articles of agreement along different lines which farmers may adopt in organizing for credit improvement.

Mr. HAUGEN. Doctor, I would like to ask you one question: In view of the position taken by the committee here that this committee has no jurisdiction over rural credits and that it does not come properly before this committee, by what authority are you going into this discussion and making this presentation now?

Mr. THOMPSON. I can answer that very satisfactorily by saying that my understanding is that the part that has been ruled out refers—

Mr. HAUGEN (interposing). The whole matter has been ruled out, so far as that goes.

The CHAIRMAN. I shall ask Mr. Thompson to proceed to give us what information he has developed with reference to these organizations of which he was about to speak. If that is not agreeable to the committee, some one may make a motion that that be not done and I will entertain it.

Mr. HAUGEN. Would the chairman indicate what information is permissible and what is not? We are at a loss to know.

The CHAIRMAN. I do not think anybody is at a loss except you, Mr. Haugen.

Mr. HOWELL. I want to call attention to a ruling made by the chairman yesterday, and that was to allow witnesses to make their statements, and for the members to note any questions we wished to ask after they complete the information they wish to give us. I think we all agreed to that yesterday, and I think it is a very excellent method of procedure.

The CHAIRMAN. Make that in the form of a motion, Mr. Howell?

Mr. HOWELL. I understood it had already been agreed to.

Mr. HAUGEN. Mr. Chairman, I will make that motion.

The CHAIRMAN. Mr. Haugen moves that witnesses hereafter be permitted to complete their statements and that at the end of their statements members shall get the recognition of the chair to ask questions; and that members shall complete their series of questions without interruption, and then other members may be recognized.

Mr. ANDERSON. I would just like to know whether that means that the witness is to go on through his entire statement and then

be interrogated, or whether it means that he will take up one phase of his proposition at a time and be questioned about that before going to another phase?

The CHAIRMAN. I would rule, Mr. Anderson, that, as he completes one phase of the question, interrogation may be had.

Mr. ANDERSON. Then I have no objection to it.

(The motion was thereupon put and unanimously carried.)

The CHAIRMAN. Proceed, Mr. Thompson, in your own way.

Mr. THOMPSON. I should present, perhaps, two illustrations to show something of what has been attempted in the matter of actual field study in organization for credit improvement. One of these applies to the Scott Cotton Growers' Association, of Scott, Ark. I refer to this, because a group of farmers, 20 in all, there agreed to adopt a form of agreement, which was worked out in conference between them and a representative of our office, and they have definitely organized for the purpose of indorsing farm-mortgage loans of members. If the committee desires it, we could leave a sample of the memorandum of agreement adopted by that group of farmers, showing what they have agreed to do voluntarily for the improvement of their mortgage credit.

Mr. HELGESEN. That would be interesting matter to go into the record, because these suggestions have been made before—that farmers could organize without laws.

The CHAIRMAN. Without objection, that will be included in the record.

(The matter referred to follows.)

Memorandum showing form of agreement adopted by the Scott Cotton Growers' Association, of Scott, Ark., relative to farm-mortgage loans.

MEMORANDUM OF AGREEMENT.

We, the undersigned members of the Scott Cotton Growers' Association of Scott, Ark., hereby agree to use our association for purposes of farm loan improvement to members according to the provisions of the following by-laws:

I. The board of directors shall appoint annually a committee of five, to be called the credit committee, which is to have general charge of all loans made to members, with the indorsement of the association.

II. The credit committee is to consider all loan applications from members. When such applications meet with the unanimous approval of the committee, the latter are to prepare a signed certificate of approval and submit the same to the secretary of the association. The indorsement of all loans by the association shall be made by the signature of the president and secretary in the name of the association.

III. All applications for loans shall be made out on an application blank approved by the association. For this purpose, application blank under Exhibit I is hereby adopted.

IV. The appraisal of farm-land security offered in connection with members' loans shall be made according to the forms shown under Exhibit II. Said exhibit also shows the form in which the approval of the appraisers by the credit committee is to be certified.

V. The report of the appraisers on the value of farm-land security shall be made according to the form indicated in Exhibit III.

VI. The approval of all loans made with the association's indorsement for members shall be certified according to the form under Exhibit IV.

VII. Each member securing a loan with the aid of the association's indorsement is required to pay all specific costs connected with the perfecting of the security, such as appraisal, abstract of title, recording fee, and other charges.

VIII. All loans indorsed by the association are hereby limited to one-fourth of the appraised value of the farm security as approved by the credit committee.

IX. All loans indorsed by the association for members must be used by borrowers for the improvement of the farms offered as security. The credit committee must ascertain the exact uses to which such funds are to be devoted and must be satisfied that the investment is businesslike and expedient.

X. In all loans indorsed by the association for members, the credit committee shall require an annual payment on the principal as well as the interest. The committee shall be authorized to suspend this requirement for years of crop failure or other calamity.

XI. The association shall establish a reserve fund for the protection of the association in its relation to loans indorsed for members. For this purpose, each member securing a loan with the association's indorsement is required to pay a rate of interest exceeding by one-half of one per cent the rate secured by the association for such loans.

XII. All loans indorsed by the association for members shall be handled by the proper administrative officers of the association, who shall keep complete records and accounts of all such transactions in a manner approved by the auditing committee of the association.

XIII. The credit committee is required to keep a complete record of all its proceedings and to furnish monthly reports of its work to the association.

XIV. The auditing committee of the Scott Cotton Growers' Association is required to audit all records and accounts of the credit committee and of the officers of the association when such records and accounts pertain to loans indorsed by the association for members. Such audits are to be made according to existing provisions relating to the auditing committee.

XV. Whenever any member who has secured a loan with the association's indorsement fails to make payments promptly or to carry out other terms of the loan as required by the credit committee, the officers of the association are hereby required to take such action for its protection as may be recommended by the credit committee.

APPLICATION FOR LOAN.

I, _____, of _____, County of Pulaski, State of Arkansas, hereby apply to the Scott Cotton Growers' Association, of Scott, Pulaski County, State of Arkansas, for a loan of _____ dollars for the term of _____ years, with interest at the rate of — per cent per annum payable _____ annually.

A payment of _____ dollars to be paid _____ annually and credited as follows:

Accrued interest upon the unpaid portion of the principal at the rate of — per cent per annum; — per cent of the face of the loan for expenses. Balance to be credited upon principal.

1. My age is _____ years.
2. My nationality is _____.
3. I am married, _____; single, _____.
4. My wife's first name is _____.
5. We have _____ children, whose names and ages are _____, _____, _____, _____, _____.

My full address is P. O. _____; R. F. D. _____; street and number _____; town _____; county _____.

The purpose for which I desire the loan is _____.

I offer as security for this loan a first mortgage on the following-described real estate in Arkansas, situated in the town of _____, county of _____:

DETAILED STATEMENT.

For the purpose of securing this loan, I declare the following statements and answers relative to the real estate offered as security to be true:

1. Number of acres, _____.
2. Acres broke and free from stumps, _____.
3. Acres partially cultivated but not free from stumps, _____.
4. Acres capable of being cultivated, _____.
5. Acres upland, _____.
6. Acres marsh, _____.

7. Acres open swamp, ____.
 8. Acres hilly and unfit for cultivation, ____.
 9. Acres timbered, ____.
 10. Acres fenced, _____. Kind of fencing, _____.
 11. Kind of soil, _____.
 12. Is land level? _____.
 13. Any jack pine? _____.
 14. Any stone? _____. Any sandy land? _____. Number of acres sandy, _____.
 15. Kind of timber growing on land, _____.
 16. Estimated amount of each kind of timber, _____.
 17. Have you a well? _____.
 18. Name of your nearest railway station, _____. Distance from land, _____.
 19. Name of railway, _____.
 20. Distance to nearest market, _____.
 21. Name of county seat, _____. Distance to same, _____.
 22. Name of and distance to other nearby villages and cities, _____.
 23. How far is the land from Little Rock? _____.
 24. Is land served by good roads? _____. R. F. D.? _____.
 25. Distance to public schools is — miles.
 26. The number of acres of land in crops are —, and the kind of crops are —, _____.
 27. The crops on the cultivated lands have been rotated as follows: —, —, and I will rotate the crops grown on this land during the term of this loan in a careful and reasonable manner _____.
 28. How many years has the land been cropped? _____.
 29. Are there any streams passing through the land? _____. Is the land on a public road? _____.
 30. The buildings on the land are as follows: House—frame (brick or log) —. When built, _____. Present value, \$_____. Kind of roof, _____. Kind of foundation, _____. Stories high, _____. Size of house, _____. Size of addition, _____. Insurance, \$_____.
 Bonds and other buildings: (1) Size, _____. When built, _____. Present value, \$_____. Frame or log, _____. Basement, _____. Insurance, \$_____.
 (2) Size, _____. When built, _____. Present value, \$_____. Frame or log, _____. Basement, _____. Insurance, \$_____.
 (3) Size, _____. When built, _____. Present value, \$_____. Frame or log, _____. Basement, _____. Insurance, \$_____.
 I have owned the property above described for — years. Since acquiring the same I have cleared — acres and have erected the following buildings:
 31. Wild lands in the immediate vicinity of this land are selling for \$_____. per acre, and improved lands for \$_____. per acre.
 32. The value of this land is \$_____. The value of the building is \$_____. Total value of land and buildings is \$_____.
 33. The buildings are insured for the following amounts: Fire and lightning, \$_____. Tornado, \$_____, in the following companies: —, _____.
 34. I will occupy the premises, _____.
 35. I own the following live stock: Horses, _____; mules, _____; colts and ages, _____; milch cows, _____; other cattle, _____; ages and sex, _____; hogs, _____; shoates, _____; sheep, _____; lands, _____.
 36. I own the following farm machinery and implements: —, _____.
 37. There are no liens, judgments, nor foreclosure proceedings started nor pending against me nor this property.
 38. There are no taxes against me nor my property due and unpaid except —, _____.
 39. My property is now encumbered as follows: —, —, the interest on which is paid to _____.
 40. I own other property than that offered as security in this application, —, _____.

STATE OF ARKANSAS,*County of Pulaski, ss:*

I solemnly swear that the foregoing statements and answers are true; that I am the owner of the within described premises offered as security for the loan applied for; that I am in actual and peaceable possession of the same; that my title and possession have never been questioned; that there are

no unrecorded deeds or mortgages existing against such premises; that there are no judgments against me in any of the courts of record in said county or in the United States courts; that I do not owe any money to mechanics or builders or others for work done or material furnished for improvements made on said premises; and that there are no incumbrances against said property except as hereinbefore stated, and these will be removed before the proceeds of the loan applied for are paid over to or are paid out for me.

Dated at _____, the _____ day of _____, 191____.

Subscribed and sworn to before me, this _____ day of _____, 191____. Applicant.

My commission expires _____.

I, _____, wife of _____, join in and subscribe to this application.

APPRAISAL OF PROPERTY.

Nomination of appraisers.—I nominate _____ and _____ two impartial, experienced, and otherwise qualified persons, freeholders in and residents of the town of _____, county of _____, State of Arkansas, to appraise my property herein described and offered as security, as a condition precedent to the granting of the loan applied for.

Approval of appraisers.—The appraisers above nominated, being freeholders in and residents of the town of _____, county of _____, and State of Arkansas, wherein the real estate of _____ the signer of this application is situated, and being otherwise qualified and competent, are hereby approved.

Credit Committee of Scott Cotton Growers' Association.

REPORT OF APPRAISERS.

We, the undersigned, freeholders in and residents of the town of _____, and county of _____, State of Arkansas, do hereby certify that we and each of us have personally viewed within the past month the _____ section _____, township _____, range _____, and the _____ section _____, township _____, range _____, and the county of _____, Arkansas, do hereby certify that we and each of us are well acquainted with the said premises and with the value of lands adjoining; that we are not interested in said premises or in the action that may be taken upon this application; that we have carefully appraised the said premises, and that in our best judgment the market value of the land exclusive of buildings is at present time _____ dollars (\$_____), and that the buildings thereon, _____ in number, are worth _____ dollars (\$_____), making a total valuation of _____ dollars (\$_____).

Appraisers.

APPROVAL OF THE CREDIT COMMITTEE.

We, the undersigned, after careful consideration of the foregoing application and reports thereon and certificates attached thereto, and being otherwise fully informed as to the premises offered as security for the loan sought, said premises being _____, section _____, township _____, range _____, county _____, State of Arkansas, and containing in all _____ acres of land and buildings (to wit _____), thereon, have arrived at the following conclusions: _____ acres of said land can be carefully cultivated; _____ acres are now under cultivation; _____ acres are fenced with _____ fencing; the soil is _____, and of _____ quality; the surface of said land is _____.

To the best of our knowledge and belief, all of the statements of the applicant in his application are true, except _____. Improved land in the neighborhood of said land is worth \$_____ per acre. If offered at forced sale, this property will bring not less than \$_____. A fair valuation of this land is \$_____ and of the buildings \$_____. Total, \$_____.

The applicant is a person of _____ character and credit, and is said to meet his obligations. He is temperate, lives _____, and has _____ been making money. He intends to use the money to _____, and we are satisfied that a loan for such purposes will benefit him.

Being further satisfied that the applicant has a good merchantable title to said land, we hereby approve the foregoing application and recommend the granting of the loan applied for.

Dated this _____ day of _____, A. D. 19____.

Credit Committee of Scott Cotton Growers' Association.

Mr. THOMPSON. Leaving the topic of mortgage credit, I will say that we have worked out tentatively articles of agreement which amplify somewhat one of the plans referred to in the bulletin. A certain group of farmers in one locality in northern Wisconsin has recently organized a farmers' credit exchange, and the articles of organization were provided by the Office of Markets and Rural Organization of the United States Department of Agriculture. That is one form of organization for personal credit improvement.

Mr. HAUGEN. Doctor, that is the practice, to some extent, in various States at the present time; a number of organizations such as you refer to have been perfected?

Mr. THOMPSON. We find that the particular organization to which I am referring here, having these articles of incorporation which we had prepared, varies somewhat from any we have known about.

Mr. HAUGEN. But it is possible for anybody now to incorporate under the State laws and to do exactly the thing sought by some backers of this rural credit?

Mr. THOMPSON. It is possible to organize unincorporated voluntary organizations to do certain things.

Mr. HAUGEN. It is possible to incorporate under the State laws, is it not?

Mr. THOMPSON. The State laws vary considerably, and it depends on the kind of organization you have in mind.

Mr. HAUGEN. I mean for loaning money.

Mr. THOMPSON. If you have reference to a cooperative loan association, I will say there are only a few States now that have on their statute books laws for that purpose.

Mr. HAUGEN. If they could under no other law, they could under savings banks, authorized to make loans?

Mr. THOMPSON. If that is the kind of organization they want, yes.

Mr. HAUGEN. Can you give this committee the number of schemes presented and thought up by the different promoters of the scheme? I take it there are a great many. You have more information as to that than I have—a good many schemes proposed, or plans, or whatever you might call them.

Mr. THOMPSON. I trust that it is clear that we are not dealing here with various schemes proposed from different directions.

Mr. HAUGEN. Well, call them "plans."

Mr. THOMPSON. We are dealing with such plans as commend themselves to us as useful and worthy of careful study.

Mr. HAUGEN. The plans that commend themselves to you? Is it not possible to do the same thing under the State laws?

Mr. THOMPSON. Not always, and in many States not at all.

Mr. HAUGEN. In many States, however, they can?

Mr. THOMPSON. Yes, in some, but in most cases not.

Mr. HELGESEN. The agreement which they have drawn up for personal credit organization is short; without objection, may we have that put in the record?

The CHAIRMAN. Yes; without objection.

Memorandum showing articles of agreement for a farmers' credit exchange.

ARTICLES OF AGREEMENT.

We, the undersigned, for the purpose of promoting the farming industry, do hereby associate ourselves together under the name of the _____ Farmers' Credit Exchange, and, in consideration of the mutual benefits to be derived from such association, do hereby, each with the other, covenant and agree as follows:

1. The business of the exchange shall be to buy farm requirements and general supplies, and to sell the same to its members.

2. The officers of the exchange shall consist of a president, a secretary, and a treasurer, to be elected by a majority vote of all the members present at the annual meeting of the exchange. These three officers shall constitute the executive committee of the exchange. There shall also be elected at the annual meeting an auditing committee of three members, no one of whom may be at the same time a member of the executive committee.

3. The officers and the auditing committee shall be elected for one year, and shall hold office until their successors are elected and qualified. Any vacancy that may occur shall be filled, for the balance of the unexpired term, by election at the next regular meeting of the exchange: *Provided*, That, in case of emergency, the executive committee may, in its discretion, call a special meeting for the purpose of filling the vacancy.

4. Any officer or committee member may be removed from office for cause by the vote of two-thirds of all the members of the exchange: *Provided*, That the officer or committee member shall have been given a hearing before the exchange, and the matter shall have been laid over to a subsequent meeting, with an intervening period of not less than 10 days.

5. The annual meeting of the exchange shall be held on _____, and other regular meetings shall be held on the _____th of each month, unless the exchange shall vote at any regular meeting to omit the next regular monthly meeting. Special meetings may be called by the executive committee, which must give four days' notice to the members. Special meetings must be called by the executive committee on the written request of _____ members. _____ members shall constitute a quorum for the transaction of business at any meeting of the exchange.

6. Applications for membership must be made in writing, and must have the approval of two members of the executive committee. Approved applicants may be elected to membership by a two-thirds vote of the members present at any meeting of the exchange. All elected members shall subscribe to the articles of agreement.

7. The management of the business of the exchange shall be vested in the executive committee, which shall be required to report at each regular meeting, to submit a detailed statement of the year's business at the annual meeting, and to hold its accounts always subject to examination by the auditing committee.

8. It shall be the duty of the auditing committee to audit the books of the exchange at least once each year, to examine from time to time the security for any indebtedness to the exchange, and to report the results of their work to the exchange.

9. For the purpose of obtaining the funds necessary to purchase, care for, and deliver farm requirements and general supplies, including incidental expenses, the executive committee is hereby authorized to borrow money on such terms and conditions as it may deem best; and to this end the said committee is hereby made the agent of each and every person whose name is hereunto affixed, with full power to incur such obligations, the same to be valid, joint, and several obligations, upon each member of the exchange in the same manner as if each one had personally signed and executed them: *Provided*, That in no

event shall the total amount of indebtedness thus created against the members of the exchange exceed the sum of _____ dollars. Such obligations shall be made in the name of the exchange, and shall be signed by the three members of the executive committee.

10. The farm requirements and general supplies purchased by the exchange shall be sold to members on such terms as the executive committee may determine. In case the full purchase price be not paid to the exchange on delivery of the goods, the amount unpaid shall be secured by satisfactory two-name paper, or by a chattel mortgage on cattle, implements, or other property unencumbered, with such other security as the executive committee may require.

11. No goods shall be purchased by the exchange except upon written application signed by the member desiring the goods and stating specifically the quantity and quality desired.

12. The executive committee shall be empowered to add to the cost price of all goods sold by the exchange a uniform commission, not to exceed — per cent of the total cost of the goods, to pay the incidental expenses of transacting the business of the exchange.

13. No member may resign from the exchange while indebted to it. A member not indebted to the exchange may resign, with the consent of the executive committee, on giving _____ days' notice, the same to be duly published for _____ consecutive weeks in _____, a newspaper published in _____.¹

14. This agreement shall continue in force for three years from date: *Provided*, That it may be sooner dissolved, at any time the exchange is out of debt, by a two-thirds vote of the total membership. It may be amended by a two-thirds vote of the total membership at any time when the exchange is out of debt, or otherwise with the consent and approval of all its creditors.

In witness whereof, etc.

Mr. HAUGEN. Can you give us a statement of what the agreement is? What do they propose to do?

Mr. THOMPSON. They propose to let an executive committee act on behalf of the association, and negotiate loans for the association on their joint and several liability.

Mr. HAUGEN. One loaning his credit to the other?

Mr. THOMPSON. Yes.

Mr. HAUGEN. Is that one of the plans approved by you?

Mr. THOMPSON. That is one of the plans which have been adopted; after we worked out the forms, it was adopted and taken as the form of organization in one of the localities I have stated.

Mr. HAUGEN. Do you suggest that by way of legislation?

Mr. THOMPSON. It is not legislation at all; it is merely voluntary organization.

Mr. HAUGEN. It has no reference to your recommendation as to legislation? If we are going to have legislation, shall it be along that line? To make myself clear, I should be opposed to a plan where the Iowa people would be compelled to loan their security and put that up against these States that pay three times the rate of interest that our State pays, as I infer that the security in those States is much less desirable than it is in ours.

Mr. STEELE. That is not the intention, Mr. Haugen, as I understand it.

Mr. THOMPSON. I think your statement is clear, and I think it is not the intention. Then, further, of course, in our studies of rural credits there are other topics that we have been asked to study,

¹This provision must be made to conform with whatever State law the organization comes under, presumably the law governing partnerships.

largely because we have been asked for information from many States. The States as well as Congress want information as a basis for intelligent action in legislation, and that opens up a lot of topics that we have tried to study in order that we may have such information available; and the State of Iowa is one of those States, by the way. I do not think it is necessary to go into that further, unless there are specific questions bearing on that.

The CHAIRMAN. Any questions?

Dr. THOMPSON, take up your next line.

Mr. THOMPSON. I will leave the subject of rural credits now, unless there is something further on it.

The next topic is the subject of agricultural insurance. In introducing that topic, I would like to hold up to the committee a map showing the local farmers' mutual insurance companies in the United States. Each tack shows you where a mutual farmers' insurance company is located, so far as our present information indicates. We do not vouch for the absolute accuracy of it, because our studies have not been kept up long enough, but we think it is a fairly accurate representation of the farmers' mutual insurance companies of this country.

Mr. ANDERSON. Will you state how many of them there are?

Mr. THOMPSON. There are over 2,100 farmers' mutual insurance companies in this country, including organizations for insurance against fire, hail, and wind. If you want exact figures, I will give them as follows: Our present tabulation shows that there are 1,989 local farmers' fire insurance companies; that there are 32 organized for insurance of live stock; 34 for hail; 47 for wind; and 11 for hail and wind combined.

I would like to add further that our information indicates that the insurable property protected by these local mutual insurance companies exceeds five billions of dollars, and those figures mean more when we put them alongside of figures from the United States census reports, which show that the value of the total insurable property on farms in this country, including buildings, live stock, implements, and machinery, was less than twelve billion dollars in 1910. If you increase this figure, to bring it down to date, it would be perhaps fifteen billion dollars, thus showing that these local farmers' mutual insurance companies now cover more than one-third of the total insurable property on farms in this country.

Mr. STEELE. You would encourage that line of insurance, would you not?

Mr. THOMPSON. Yes. As to the study of this subject, we have an investigator in agricultural insurance now. One thing we would take up would be legislation in the various States, to see how far that helps or hinders the development of this particular thing. We find, for instance, that about 20 States have special mutual insurance laws; the balance do not have. I could go on and illustrate some of the reasons why it is an advantage to have a special law and show the importance of working with States, in order that all the States may have as helpful legislation as possible in the interest of this particular movement.

Then the work would also include the working out of a model constitution and by-laws for a mutual insurance company. That would be especially important in those States that do not have

special laws, because they do not have anything to help them formulate it. The importance of this study, I think, is not confined to those newer sections, where the work has not been so well developed. If you will go into some of the most densely populated mutual insurance company sections you will find variations in the cost of conducting those insurance companies, running all the way from 10 cents a thousand to 30 or 40 cents a thousand among companies which are near each other and where the conditions are substantially alike, and still they are not able to run on the same basis. There are reasons why these costs are different. We find the companies are very anxious and glad to get this information when they can, and we believe it is important to settle it as quickly as we can. Another illustration would be the way in which they handle their business, their accounts, and how they conduct their business. There are different classes of these companies—live stock, hail, and windstorm, as well as fire—and it is believed that study should be made of each of those classes and separate consideration given to each, with a view to developing and aiding them as much as possible. That is about all I care to say.

Mr. HAUGEN. Do you think it is the function of Congress to go into the State legislatures to encourage or advise them or to educate them how to legislate?

Mr. THOMPSON. It has been, as I understand it, the policy to furnish information regarding conditions in some States to other States.

Mr. HAUGEN. The expense is in proportion to the losses, I take it?

Mr. THOMPSON. The expenses depend partly on how the business is run, and that in turn is determined partly by how much the manager knows about running the business.

Mr. HAUGEN. For instance, I insure in three counties. The conditions are the same. They have exactly the same general conditions and management. There is an assessment in this county and none in this county. The assessments are made to pay losses. Now, is there any way to reduce the losses?

Mr. THOMPSON. There is a way of improving the situation in reference to losses.

Mr. HAUGEN. We find in one locality a good deal of rain at the time they are putting up their clover; a great many barns are burned down, and assessments are made; in other localities no losses, hence no assessments.

Mr. THOMPSON. I was speaking of the management of the company.

Mr. HAUGEN. You have reference to the mismanagement of the company?

Mr. THOMPSON. I refer, on the side of expense, to such matters as a wrong system of handling assessments. For instance, the system of having only postassessments increases expenses unnecessarily; and, on the side of losses, I may refer by way of illustration to companies which have not properly classified their risks and which, for this reason, incur needless loss.

Mr. HAUGEN. And they have their annual meetings and get together and discuss these questions. Are they not getting along fairly well in most places where they are incorporated?

Mr. THOMPSON. They are getting along fairly well, but they could get along better.

Mr. HAUGEN. They could be improved upon?

Mr. THOMPSON. We are getting calls for help right along.

Mr. HAUGEN. I think one excellent work done by the department some years ago was when you got out a volume giving the articles of incorporation and by-laws of all the organizations throughout the States. I do not know whether it included all of them, but quite a number of them. That is available, is it not?

Mr. BRAND. You have in mind report No. 98. It is scarcely available any more.

Mr. HAUGEN. It could be reprinted?

Mr. BRAND. Yes; but a great amount of progress has been made in the meantime, and a great many of those practices have been superseded in the organizations that are given there.

Mr. HAUGEN. In what way?

Mr. BRAND. Since the printing of that, which is now six or eight years ago, the Clayton amendment to the anti-trust laws has been passed. Section 6 of the Clayton law gives certain exemptions to agricultural and horticultural organizations, as a result of which the California Fruit Growers' Exchange is in process of remodeling its whole organization. Its old form is given in this bulletin, but it is being superseded now, and the same thing is true in many other cases.

Mr. HAUGEN. Do you contend that it would be necessary, under the Clayton law, for these people to reincorporate?

Mr. BRAND. If they want the benefit of that law; I mean the exemptions in section 6.

Mr. HAUGEN. Do you mean their whole method of doing business?

Mr. BRAND. In some cases, especially if they are organized with capital stock.

Mr. STEELE. Could not another bulletin be issued?

Mr. BRAND. Yes; and we are working on that. The exemptions run only to organizations which are organized without capital stock.

Mr. HAUGEN. But very few of them have capital stock?

Mr. BRAND. A very large number have.

Mr. HAUGEN. Paid-up capital?

Mr. BRAND. Some of them paid-up and some not.

Mr. RUBEY. There are not many failures, are there, in those farmers' mutual organizations or insurance companies?

Mr. THOMPSON. As far as I have been able to learn, this is one of the most successful forms of cooperative organization amongst farmers in the world.

Mr. HOWELL. How long have these been in existence?

Mr. THOMPSON. In some of the States, twenty or thirty years.

Mr. HOWELL. It is nothing new?

Mr. THOMPSON. Oh, no. If you go into the foreign countries, some of them run back many centuries; some to the tenth or twelfth century. It is a very well-established institution in countries like Germany and France.

The next topic, or communication, refers to farmers' telephone companies. We have only begun on this subject, but we find that

several hundred of them are spread over more than 40 States, and we are constantly receiving requests for information as to how to organize them; either information with reference to their methods of doing business or with reference to their methods of financing. I take it that the mere mention of that is all that is necessary.

The CHAIRMAN. Any questions, gentlemen? Proceed, Dr. Thompson.

Mr. THOMPSON. Then, the remaining item comes under what you might call social organization or social and educational activities.

A suggestion of what has been accomplished under that project is found in the bulletin entitled "The organization of a rural community," which was printed in the Yearbook and reprinted separately. The idea, in brief, is to see ways and means in which organization may be promoted or organizations utilized for other purposes than the particular ones that have been considered so far. By way of illustration, I might mention the question of the extension of the usefulness of the farmers' club, which is a farmers' forum where they may discuss all community problems, similar to a business man's club—how far an extension of the usefulness of the club is possible, and what could be done to encourage that; what forms of association may be suggested; what may be done, as is being done in a few States, to help them keep up the right kind of a program of work.

Perhaps another function would be to help them in studying community problems, in cooperation with local agencies. I think the only other thing I need to mention is the fact that in much of this work we find that women's rural organizations are active, and the question of how far help may be rendered in making them more useful naturally goes with the other question with reference to farmers' clubs.

The CHAIRMAN. Any questions?

Mr. HOWELL. It seems to me, if I understand the scope of this work, that it is treading very closely on the ground of the extension work we are carrying on, and I would like to have you differentiate what you are doing from what is done under the extension work.

Mr. THOMPSON. There is a clear line of demarcation between the work we are doing and that of the Office of Extension, but we are working in close cooperation with them. They are asking us to furnish them with forms of organization for these local organizations, and we are doing it. They are attempting to disseminate the information we furnish; our work is more particularly investigational.

Mr. ANDERSON. You have no men in the field explaining organization?

Mr. THOMPSON. We are carrying on experimental studies, and then we are making the results available to the extension service.

The CHAIRMAN. Any further questions, gentlemen? If not, we are very much obliged to you, Mr. Thompson, and hope we have not taxed you too much.

Mr. THOMPSON. Not at all, gentlemen; thank you.

(Thereupon, at 12.45 p. m., the committee took a recess until 3 o'clock p. m.)

AFTER RECESS.

The committee reassembled pursuant to the taking of recess.

STATEMENT OF MR. CHARLES J. BRAND, CHIEF OF OFFICE OF MARKETS AND RURAL ORGANIZATION—Continued.

The CHAIRMAN. Will you take up item 43, "For general administrative expenses in connection with the lines of investigation, experiment, and demonstration conducted in the Office of Markets and Rural Organization, \$23,720."

Mr. BRAND. There is little to be said in respect to that. It is the general administrative fund for the whole office and includes the administrative expenses of the office of the chief, the chief clerk, mails and files, supplies and accounts, the office of the auditor, library, telegraphic force, stenographic pool, miscellaneous services such as janitors, char persons, and laborers. In addition, it is intended during the coming year, or as soon as possible, to secure the services of an assistant chief, who will be paid from this fund. Those items are the general items of expense for the whole office. We have concentrated the administrative work considerably. Our stenographic work is done largely through a stenographic pool, from which the offices all draw. Our mails and files are all kept in a central mailing and filing section, which takes care of the files for the subdivisions whose leaders you have heard during the past few days.

The CHAIRMAN. What salaries are paid out of this fund?

Mr. BRAND. There are a number of clerical salaries. I could not state them offhand, but there are clerical salaries, salaries of lump-fund messengers, and we appoint clerks from this fund who are later transferred to the statutory roll in accordance with law.

The CHAIRMAN. You are asking there for an increase of something like \$13,750. What necessity is there for that increase?

Mr. BRAND. That is intended to provide for the growth of administrative work of the office and such additional growth as may result from the granting of any extension of the appropriation by the committee.

The CHAIRMAN. That additional sum asked here would depend largely on the attitude of the committee in regard to the suggestions?

Mr. BRAND. Yes, sir.

The CHAIRMAN. Very well. Take up now item 44, "Enforcement of the United States cotton-futures act."

Mr. BRAND. There are three distinct activities in this connection. The first we may mention is the preparation and distribution of cotton standards under the provisions of section 9 of the act. There have been prepared and sold to the cotton trade almost 600 sets of the new grade standard for white cotton promulgated under the act. This is probably the largest number of any one cotton standard that has ever been in use hitherto in the world. The standard has given general satisfaction to the trade. We have constant demands for new copies, and we have our force of workers constantly preparing new copies. These copies, as the committee knows, are sold to the trade and are in no case given away.

Mr. ANDERSON. How does the price at which they are sold compare with the cost of preparing them?

Mr. BRAND. The price at which they are sold is estimated to cover the cost of preparing, as related to the standards themselves, and not as to the incidental investigational work..

The CHAIRMAN. As to the preparation and sale of these standards under the cotton-futures act, how does that work compare with that done under item 41, "the investigation and demonstration of cotton standards," and so on?

Mr. BRAND. The work done under item 41 is investigational and demonstrational work. Only the actual physical preparation and distribution of the standards is done under the cotton-futures appropriation. The investigational work has reached the point where we may say it is almost completed. We have just finished an investigation of yellow tinges, yellow stains, and blue stains. That investigation was carried on under item 41. Investigational work remains to be done regarding length of staple and other qualities and conditions of cotton, as required by the cotton-futures act. Work in demonstrating the standards in the field also must be done under this item, and spinning tests must be made to determine the tensile strength of cotton, etc.

The CHAIRMAN. About how much of this appropriation in item 44 will be used in the preparation and sale of these standards?

Mr. BRAND. I think we can give a relatively fair estimate of that from our Program of Work.

The CHAIRMAN. Preparation and distribution of the official cotton standards of the United States." There is a proposed expenditure of \$35,000. That is on page 427 of the program book.

Mr. BRAND. The amount that would be expended would be practically the same. There would be a slight reduction from that shown in the Program of Work. We really estimate for a very slight reduction in the cotton-futures appropriation, considering the vanishing balance of the continuing appropriation. The total amount estimated for is something like \$1,500 less than the amount provided for this year, so that the amount would be substantially the same as that shown in the Program of Work, \$35,000. I may say in connection with that, that the sale of standards has netted thus far something in excess of \$10,000, and in addition to that sum, which has been turned into the Treasury to the credit of "miscellaneous receipts," something like \$10,000 has been returned also from the sale of cotton which has run off so that it could no longer be used in the preparation of standards. Altogether from these two sources there has been returned something over \$20,000.

The CHAIRMAN. What other lines of work have you under this item?

Mr. BRAND. There are two other items, Mr. Chairman. The first I will take up is the determination of disputes. There were presented to the department during the period up to December 1, 1915, 1,003 disputes on future contracts, originating wholly in the New York Cotton Exchange, as the New Orleans Cotton Exchange has not thus far sent any disputes in, having settled their disputes with their own exchange machinery. The disputes which have been referred have arisen in the various delivery months, the heaviest delivery month being May. During that month we passed upon nearly

36,000 bales of cotton in dispute; the exact number was 35,882 bales. That includes 374 individual disputes. The amount of business we have to do under this item varies greatly. In July, which is another relatively good delivery month, there were 12,299 bales in dispute. For such cases we have developed a machinery for quickly and accurately serving the industry and passing upon the questions submitted to us.

Mr. ANDERSON. What fee, if any, is charged for the settlement of these disputes?

Mr. BRAND. The schedule of fees is a little complicated, and if it would suit you I would be glad to put it in the record.

Mr. ANDERSON. I do not care about it in detail.

Mr. BRAND. I can tell you roughly that it is 20 cents for grade alone, 35 cents for grade and staple—

Mr. ANDERSON. Per bale?

Mr. BRAND. Per bale. And 40 cents for grade, staple, and quality, if all questions in dispute are settled at one time. That is, roughly, the schedule.

Mr. ANDERSON. Do you figure that that covers substantially the cost of the machinery involved?

Mr. BRAND. Yes; we believe it does, in a substantial way. The receipts from all sources in disputes, including grade, length of staple, and other qualities, as provided by the act, have been \$23,800, which amount has been returned to the Treasury. Under the item as a whole there has been returned to the Treasury \$45,150.

Mr. HEFLIN. Some of those disputes were as to the grades, were they not?

Mr. BRAND. Yes.

Mr. HEFLIN. One person tendered cotton and claimed it was one grade, and the man who was to receive the cotton claimed that it was not that grade?

Mr. BRAND. That is right, Mr. Hefflin.

Mr. HEFLIN. How many of them were there?

Mr. BRAND. Sixty-five thousand four hundred and forty-six bales in all were disputed.

Mr. HEFLIN. How many individuals were there in those disputes?

Mr. BRAND. How many individual disputants?

Mr. HEFLIN. Yes.

Mr. BRAND. My memory is that there were 28 firms concerned in the disputes.

Mr. HEFLIN. You mean in that matter, as to the grades?

Mr. BRAND. Do you refer to grades solely?

Mr. HEFLIN. Yes.

Mr. BRAND. I could not tell you with respect to the grades solely.

Mr. HEFLIN. There were 28 firms disputing in all?

Mr. BRAND. I can not tell you how many firms were disputing as to grades only, but it is likely that all of them disputed as to grades.

Mr. HEFLIN. How many cases have you determined where the difference arose as to the difference between the grades?

Mr. BRAND. As to the grades only?

Mr. HEFLIN. Yes, as to the difference between the grades—the difference in price?

Mr. BRAND. We do not deal with the question of prices. We handle that indirectly only. The disputes we handle are with reference to the differences and not to the absolute price.

Mr. HEFLIN. Under the Lever act we meant—I did, as one who had to do with some provisions in that bill—that, where there was a dispute as to how many points there were between one grade and another, they should submit that matter to you, and you should decide it.

Mr. BRAND. I think we arrive at substantially the result you have in mind.

Mr. HEFLIN. And you were to find out the differences by consulting spot markets.

Mr. BRAND. You are quite right. We are doing that. There are 11 designated spot markets from which we receive reports every day as to the differences between each of the grades and middling. The average of those differences is used in the settlement of contracts on the exchange. Thus we arrive at the same point which you have in mind.

Mr. HEFLIN. You get those points from the spot markets?

Mr. BRAND. Yes.

Mr. HEFLIN. And use them in settling these disputes?

Br. BRAND. We do not use them. It would be more correct to say that the exchange members use them and that we supervise the securing of the commercial differences.

Mr. ANDERSON. Have you anything there that shows the percentages of the grades sustained or grades lowered?

Mr. BRAND. I have not in hand the material to show that, but we will put it in printed form in the course of the next 10 days, with a very careful analysis showing just what was done in each of those cases. I have it in this form here, which will indicate to you the general nature. Out of the 65,446 bales disputed, 4,162 were disputed as to grade only, 1,644 as to staple only, 350 as to other qualities. 50,778 bales were disputed as to both grade and staple, coming under that combination. Then for grade and quality, that is, as to whether it was gin cut, sandy, or any of those other qualities, there was 191, for staple and quality 192, and then for all three questions—grade, staple, and quality—8,125.

Mr. ANDERSON. What I am trying to get at is, where the grade was fixed prior to the appeal, in how many instances was the grade sustained and in how many instances was the grade either raised or lowered.

Mr. BRAND. That will be shown in detail in the case of each of the disputes in the publication I have mentioned—the number of cases in which the complainants' contention was upheld and the number of cases in which the respondents' contention was upheld.

Mr. HEFLIN. Can you state now whether the majority of cases were sustained or whether they were not?

Mr. BRAND. I should say that in the majority of the cases the respondents' grade was sustained. That is right, is it not. Mr. Meadows?

Mr. MEADOWS. Yes.

Mr. BRAND. That is due to the fact that the respondents largely are the spot-cotton firms, the qualified spot-cotton firms who deliver

cotton. They have in their employ, usually, good cotton men who grade with a great degree of accuracy.

Mr. HEFLIN. Which shows that they are really delivering a better grade of cotton on contract than they were formerly, before the passage of this act?

Mr. BRAND. Every evidence we have gathered shows that the quality of cotton being delivered on contract is much improved.

Mr. HEFLIN. This work, which used to be done by the committee on fixed differences of the New York Cotton Exchange, is now being done by you?

Mr. BRAND. It is being supervised by us through the 11 spot markets. We do not actually do it. That would almost constitute a species of price fixing. It is supervised by us under the law.

The CHAIRMAN. You have been discussing the matter of the determination of disputes. Will you discuss briefly the matter of the investigation of future and spot markets?

Mr. BRAND. If it suits your pleasure, Mr. Chairman, I will ask Mr. Meadows, who is personally supervising the investigation of spot and future markets, to tell you about that.

Mr. HEFLIN. In the settlement of these disputes which arise, you say they use the differences gotten from these spot markets. How do the exchange people get that information; do you tell them?

Mr. BRAND. No; they get that direct. We have declined to furnish that to them, because it seemed to us that we would then assume an intermediary relation, which might raise question. We require them to secure it direct, and we secure it direct and keep check upon the differences as reported by the exchanges. If they are out of order, if it is a serious matter, we telegraph them, and, if it is not a serious matter, we immediately write them; we always come to an agreement as to what is the correct difference.

Mr. HEFLIN. You see to it that they do not use bogus reports?

Mr. BRAND. Yes; that matter is checked up each day.

Mr. HAUGEN. The language says that a large amount of this fund is to be used in the enforcement of the cotton-futures act.

Mr. BRAND. Yes.

Mr. HAUGEN. That act has been declared unconstitutional.

Mr. BRAND. A lower court has so declared.

Mr. HAUGEN. And you still insist upon enforcing an act which has been declared unconstitutional by a lower court?

Mr. BRAND. I suppose Mr. Haugen knows better than I do the legal status of a law which has been declared unconstitutional by a lower court. We always consult our Solicitor in a case of this sort and then are guided by his advice. I may say from the economic standpoint, aside from the legal standpoint, that it would be a very harmful matter if the decision of a lower court were allowed to interrupt the enforcement of the act.

Mr. HEFLIN. When the decision of the lower court has been appealed from and the appeal is then pending in the Supreme Court, the law is in effect until the Supreme Court either sustains or reverses it.

Mr. HAUGEN. That is a matter of policy. I believe that it is a wrong policy.

Let me ask you this question: Does it seem to you likely that the opinion of the lower court will be sustained?

Mr. BRAND. I think there is reasonable ground for believing that the lower court will not be sustained.

Mr. HAUGEN. It is my understanding that it is generally conceded that it will not be reversed, and that a new bill is to be introduced to take the place of this law. Is not that true?

The CHAIRMAN. A new bill has been introduced.

Mr. HAUGEN. To make it constitutional.

The CHAIRMAN. But the new bill was not introduced at all on the theory that the finding of the lower court was correct. It was introduced on the theory that it might be correct, and we could not afford to take any chances. It was a very small matter of correction, and we had better go ahead with that. The lawyers on that proposition differ very much.

Mr. HAUGEN. That is very good; but what I want to get at is as to the policy of the Government in all these bureaus—whether it is going to be the policy and practice to continue to hold up people regardless of the decisions of the lower courts.

Mr. BRAND. I think it would be fair to answer, in response to that question, that when an economic injury would result from failure to enforce a law which a lower court had found unconstitutional and concerning which there was a great amount of varying opinion, the department would generally find that it would be to the interest of the public and the soundest public policy to continue to enforce it; and that has been done in this case.

The CHAIRMAN. This happens to come right in this connection, and it will answer the question more fully than Mr. Brand does:

DEPARTMENT OF AGRICULTURE,
Washington, D. C., February 10, 1916.

Hon. MORRIS SHEPPARD,
United States Senate.

DEAR SENATOR SHEPPARD: The department has received your letter of the 9th instant, in which you ask to be advised as to whether or not the interstate game law will continue to be enforced in view of adverse decisions of some of the courts.

It seems quite plain that the law referred to is the Federal migratory-bird law and not the sections of the Penal Code regulating interstate commerce in the dead bodies of birds and game killed and shipped in violation of the laws of the several States.

There is now pending in the Supreme Court of the United States, on appeal by the Government, the case of the United States *v.* Shauver, in which the Federal Court for the Eastern District of Arkansas held that the Federal migratory-bird law is unconstitutional. The case was argued in the Supreme Court on October 18, last, but no decision has yet been rendered.

Meanwhile, it is the duty of the department to enforce the law, and it is being, and will continue to be enforced throughout the United States.

Very truly yours,

D. F. HOUSTON, *Secretary.*

That will answer your question as to the policy that is being followed, whether it is right or not.

Mr. BRAND. May I say one more word in regard to the acceptance of the law by the trade? It has been accepted almost unanimously as a highly beneficial piece of legislation. In the two great future markets only two firms are declining to come under its full provisions. All the rest have complied in every case where it has come to any kind of a determination.

In that connection it is also interesting to state that one of the very firms that is most opposed to the legislation advised us that it

would not send any disputes to Washington during the month of December because the act was unconstitutional. I may say that the first dispute we received from the New York Cotton Exchange in the month of December came from that firm. It found the law a protection, and it wished to have that protection in its business.

Mr. HAUGEN. You speak of disputes. Does that refer to delivery?

Mr. BRAND. On future contracts.

Mr. HAUGEN. How many of those disputes have been referred to you?

Mr. BRAND. One thousand and three, as I stated at the outset.

Mr. HAUGEN. And that has reference to the delivery of cotton on future contracts?

Mr. BRAND. The delivery of cotton on future contracts.

Mr. HAUGEN. And the demands of the law have been fully complied with?

Mr. BRAND. Yes, sir.

Mr. HEFLIN. Just in your own way please explain what are the main points involved in these appeals that come to you for settlement.

Mr. BRAND. In the vast majority of cases the two questions involved were the correctness of the classing of the deliverer as to grade and staple. In a lesser number of cases the question of grade only was disputed separately. In a still smaller number of cases staple was disputed alone, and in a very much reduced number of cases these two points were under dispute, with other questions such as whether the cotton is gin cut, mix packed, false packed, and as to whether or not it is sandy, or any of the other off qualities that are denied delivery on the contract in accordance with the provisions of section 5 of the cotton-futures act.

The CHAIRMAN. Are there any further questions?

Mr. HAUGEN. Has any question come up before the department in fixing the value of cotton that is coming in between the grades? You remember the wording. I do not recall the language used, but it is as to value between the grades that I refer to.

Mr. BRAND. I remember that question, and it was asked of me on this stand when the law was under consideration by this committee. I should say that there have been no complaints in any respect whatsoever from any of the parties as to the correctness of the findings which have been issued under our white standards for grade and under the tentative color standards which have now been amplified and erected into true color standards.

Mr. HAUGEN. Here is a bale of cotton that does not come up to strict good middling. That has got to go in the grade below, which is good middling?

Mr. BRAND. Yes.

Mr. HAUGEN. There is a question between the two as to its actual value above good middling. My understanding is that that value can be taken into consideration in the adjustment of these claims.

Mr. BRAND. That is a kind of hairsplitting that is done on the future exchanges, but it is not done anywhere else. They have been perfectly satisfied, if it was nearest to middling, to have it put to middling, and if it was nearest to strict middling, to have it put to strict middling. So many other qualities are concerned, such as the

smoothness of the cotton and the ginning, that it has not been found difficult to satisfy the trade that the cotton has been correctly classed.

Mr. HAUGEN. What difference is there between those two grades?

Mr. BRAND. The two grades you mentioned?

Mr. HAUGEN. Yes.

Mr. BRAND. It is about a quarter of a cent, usually. I do not happen to have a sheet with me to-day, but that is about the difference.

Mr. HAUGEN. Say there is a difference of 4 cents between two grades.

Mr. BRAND. Not 4 cents. It is only a small fraction of a cent—say, a fourth of a cent.

Mr. HAUGEN. I do not care what figures you use, but say there are four points of difference and that one comes within a point of being full grade. In the delivery of that cotton, is it delivered at the price of the cotton of the grade below, or are the three points taken into consideration in the adjustment above?

Mr. BRAND. The whole question of grades is settled by our cotton experts, and it is put into the nearest grade.

Mr. HAUGEN. In grading it, that is the only thing you can do?

Mr. BRAND. Yes.

Mr. HAUGEN. But here I buy on the cotton exchange 1,000 bales of cotton, and the cotton is delivered, and here come 20 bales considerably or 3 points above the grade which is tendered, which might make a few dollars difference. Is that taken into consideration in the settlement?

Mr. BRAND. In our work, Mr. Haugen, if an error has been made—

Mr. HAUGEN. No; there is no error. I do not make any complaint, now, of the grading.

Mr. BRAND. I am afraid you do not understand exactly how it comes to us. It comes to us with the complaint or stipulation, as the case may be. If the two parties to the contract have agreed to submit the dispute together, it comes in the form of a stipulation. If it comes otherwise, the person receiving the cotton submits it in the form of a complaint, and the person tendering the cotton is permitted to respond; we call him the respondent, and he submits his claim in that form.

Mr. HAUGEN. Suppose I sell you 1,000 bales of strict good middling at \$50 per bale. I tender you 1,000 bales of the grade below, which we will say sells for \$40 per bale. The bales tendered are almost up to the grade above, or within one-quarter of strict good middling. Hence the cotton tendered is actually worth \$7.50 per bale more than indicated by its grade, or a difference in value of \$7,500. As a classer, under the law and according to grades established, you have to grade it as a grade either above or below its actual value, notwithstanding the fact that the cotton is actually worth \$7.50 a bale more than the grade below, which I believe is good middling, and \$2.50 a bale less than strict good middling, the grade above.

Mr. BRAND. You want to know what becomes of that spot cotton?

Mr. HAUGEN (continuing). On the one grade, the person delivering is entitled to \$7.50; I am inquiring whether any of those cases have come to your office.

Mr. BRAND. If a man has cotton of special quality he usually avoids delivering it on contract. He sells it on the spot and gets the money for it.

Mr. HAUGEN. But under the law he is entitled to the actual value.

Mr. BRAND. No; he is entitled to the difference between that grade and middling, as determined by the averages from the 11 spot markets.

Mr. HAUGEN. Well, that establishes the value of that grade. But what becomes of that difference? I am not discussing the transaction on the board of trade, but I was asking whether any of those questions have been submitted to you for determination.

Mr. BRAND. Indirectly; when the grade, staple, and quality were submitted we have had to answer questions of differences; but the question of what the value or the price is could not be. That is left to the parties.

Mr. HAUGEN. That has not been submitted to you at all?

Mr. BRAND. Not in the form in which you have it in mind, I think.

Mr. HEFLIN. In case a man tenders four grades of cotton on contract, which he says are middling, strict middling, ordinary, and good ordinary, he determines on the New York Cotton Exchange the difference—that is, the difference between each grade and every grade.

Mr. BRAND. Yes.

Mr. HEFLIN. Suppose the man he is dealing with says there is not that much difference between those grades. Who settles that dispute?

Mr. BRAND. That is settled definitely by the determinations of the averages, and those averages are applied uniformly by the exchange. For instance, to-day is February 11.

Mr. HEFLIN. Yes.

Mr. BRAND. The average differences for the grades above middling are 23 points on for strict middling, 48 points on for good middling, 71 points on for strict good middling, 102 points on for middling fair; and he has got to settle on those differences. He has no choice.

Mr. HEFLIN. If he does not settle in a satisfactory manner with this man, he takes an appeal to you—to your department. Do you determine that by the information you get from the spot markets?

Mr. BRAND. No; unless he raises a question as to the correctness of the quotations in the spot markets. Then we would investigate the spot markets to see whether they were complying with their agreement.

Mr. HEFLIN. If he raised that question what would you do?

Mr. BRAND. It sometimes occurs that a market has too wide differences. We found that one of the markets was quoting good ordinary 250 points off, when other markets not far distant were quoting it at 200 points off. We promptly present the facts to the market and ask it to check up the differences by reference to the actual spot-cotton transactions and to determine the differences correctly. In all cases they have complied, making their adjustments on a correct basis.

Mr. HEFLIN. If one party to a contract is not satisfied with the way the exchange board has treated him in the deal and makes complaint that there is not that difference—the difference that they

quote him—between one grade and another, and he desires to appeal that to your department—

Mr. BRAND. He would have no appeal to the department. He would stand on his rights as a member of the exchange, and he would be compelled to settle according to the average commercial differences obtained from the spot markets.

Mr. HAUGEN. But it would not be in your power to settle the differences by grading it according to law.

The CHAIRMAN. If a seller of cotton should dispute the averages which you get from these 11 spot markets and question the accuracy of the averages, then you would investigate to determine whether or not your averages were correct?

Mr. BRAND. Yes.

The CHAIRMAN. If your averages were correct and you stated they were correct, then the only remedy that he would have as between the two parties would be such remedy as the rules of the exchange afforded in the first place; and if he was not satisfied with this, his remedy would be in the courts of law? Is that it?

Mr. BRAND. Yes; in the courts of law.

The CHAIRMAN. Is that what you had in mind?

Mr. BRAND. It would be a matter of contract between the two.

Mr. HEFLIN. I had in mind a situation without regard to the information they had over there as to what the price was in the spot market; that when a man contracted for the cotton with a man to deliver the cotton, and when the time of settlement came he had four grades, and he said, "This is worth 12 cents, this is worth 11, this is worth 9, and this is worth 8," and the man contracting for the cotton said, "There is not that difference in the grades; there is not that much difference. I dispute that proposition." The question I wish to ask is this: To whom does he go for enforcement of that contract if the man on the exchange does not live up to it?

Mr. BRAND. If it is a matter of price, he takes refuge in the rules of the exchange and the courts of law, as Mr. Lever says. If the disagreement is one of grade, length of staple, or other quality, he submits the question to the department, and the department's findings are *prima facie* evidence in the courts.

Mr. HEFLIN. Under the law?

Mr. BRAND. Under the law.

Mr. HEFLIN. When we prepared the Lever cotton-futures act, I had something to do with suggesting that provision of taking that appeal to your department, and it was in my mind that the purpose of making that provision was for you to have that power when he appealed to you. Suppose this man wants me to take this cotton, and he says that there is this difference between this grade and that grade, and I say "That is not true," and you have got the information as to the spot market price; I want you to use your judgment on it. That was my intention—for you to have that power under that law. If you have not got that, and he has got to rely on the rules of the exchange, he is in a bad fix on that proposition.

Mr. BRAND. The rules of the exchange provide for using the machinery which is required under the law for arriving at the differences, so that what you have in mind is accomplished, though not by the direct method that you have in mind. It is accomplished through average commercial differences in value in the spot market.

Mr. HEFLIN. And by rules that you have promulgated?

Mr. BRAND. Yes; by the rules and regulations that the department has promulgated under the act, and by the fact that the exchanges, with our assistance, have made their rules conform to the provisions of the act.

Mr. HEFLIN. Do you know when they amend those rules?

Mr. BRAND. Yes. We are informed constantly regarding all those points. All their rules were submitted to us, and practically every change that we suggested under the act was made by both the great future exchanges.

Mr. STEELE. The only value there can be in these findings is that if there is a lawsuit you are an expert witness.

Mr. BRAND. In the courts the *prima facie* value of the finding of the Secretary of Agriculture is far greater than the evidence of a mere witness presenting his own statement. The burden of proof is upon the person who wishes to dispute the finding.

Mr. HAUGEN. And under the law, when it is held constitutional, you will have the power to fix the differences?

The CHAIRMAN. No.

Mr. BRAND. No. Under the law there is provided a machine, an impersonal affair, consisting of eleven spot markets working independently, and the average of their differences fixes the differences each day according to our sheets. This machinery is automatic and self-working.

Mr. HAUGEN. Under the law, is it optional with these people whether they accept the finding of the department?

Mr. BRAND. Not at all. If they submit a question, they must accept the finding; or if they operate on the exchange, they must accept it; because otherwise they would be thrown out of the exchange.

Mr. HAUGEN. Then you fix the differences, so far as the operations of the exchange are concerned?

Mr. BRAND. The machinery set up by the law is automatic in its operation. The only thing we do is to go out and investigate the spot markets and declare which are spot markets for the purposes of the act. Then, in accordance with the arrangements we make with them, these spot markets report telegraphically to the future exchanges daily. From their averages are computed the differences which are used each day in settling contracts.

Mr. HAUGEN. For what purpose?

Mr. BRAND. For the settlement of future contracts.

Mr. HAUGEN. For the settlement of future contracts?

Mr. BRAND. On the fifth day succeeding.

Mr. HAUGEN. And that is fixed for the purpose of adjusting these differences?

Mr. BRAND. It is fixed by the spot market and changes from day to day as the prices in spot sales change.

Mr. HEFLIN. Prior to the passage of this law they had that committee on fixed differences which determined these differences day after day and night after night, and there was no appeal from it. Now they do not have that power under this law?

Mr. BRAND. No; they do not; absolutely, not. They are required by law to use the averages of the spot markets designated under the act.

Mr. HEFLIN. Or be subjected to the tax of 2 cents a pound?

Mr. BRAND. Two cents a pound on every contract.

Mr. HAUGEN. They have formulated rules?

Mr. BRAND. We have cooperated with them, and all their rules have been modified in accordance with the act; and, as Mr. Lever said, the president of the New York Exchange has since stated that they would not change these rules if the act was declared unconstitutional.

The CHAIRMAN. Are there any other questions on this? If not, we will ask Mr. Meadows to give us very briefly what he does on the spot markets to get these averages.

Mr. BRAND. If I may insert one word in regard to the item of administration, I would like to do so.

Mr. CHAIRMAN. Yes.

Mr. BRAND. In connection with the spot markets I wish to say that they are required to quote to us daily. This is a gratuitous service which means considerable work and care. They are required to quote accurately upon the standards that we have prepared and promulgated. The lower grades of the white standards particularly, and the color standards, will change with relative rapidity. Inasmuch as certain spot markets are rendering us a service in furnishing these quotations, we feel that in their particular cases it would be only fair for us to make replacements of the standards they have purchased if it becomes necessary to declare these standards as no longer true copies. There are 11 of these markets actually reporting at this time, and there are 15 or 16 designated. It is therefore suggested that you consent to a change in the language of item 41—I believe it now provides "for the investigation and demonstration of standards for the different grades, etc., of cotton"—so as to make it read, instead, "For investigating, demonstrating, and promoting the use of standards," etc. Under that language we can extend to these spot markets the courtesy of replacing sets that we condemn because they are not accurate enough to permit their use in obtaining, in cooperation with us, quotations in the market. I lay that suggestion before the committee in order that we may be given authority to do that, and, if the committee pleases, I would like to submit a letter from the Secretary of Agriculture recommending such a change as I have suggested.

(The letter referred to is as follows:)

DEPARTMENT OF AGRICULTURE,
Washington, February 8, 1916.

Hon. A. F. LEVER,
Chairman Committee on Agriculture, House of Representatives.

DEAR MR. LEVER: For the purposes of the United States cotton-futures act, the quotations of the bona fide spot markets designated by the Secretary of Agriculture must be based on the official cotton standards of the United States, and are used in arriving at the actual commercial differences in settling contracts of sale of cotton for future delivery made on the exchanges.

It is essential that the practical forms of the standards which are used for these purposes shall always accurately represent the original standards, in order that the resulting quotations may constantly reflect the true values of spot cotton.

As constant use renders these practical forms subject to change and deterioration, it is desirable that they should be frequently inspected and, from time to time, replaced. The consequent expense to the purchasers is somewhat of a hardship and may have a tendency to limit the distribution.

It would seem desirable that authority be given the Secretary of Agriculture to place copies of the standards in the spot markets and on the exchanges and to replace them from time to time, in his discretion, free of cost to the persons using them. In this way the use of the standards would be promoted and the purposes of the cotton-futures act more completely carried out.

Under the act practical forms of the official cotton standards of the United States may be furnished only on request and payment of the cost thereof. The language of the estimate of the Department of Agriculture for the fiscal year 1917 provides "for the investigation and demonstration of standards," etc. (See p. 197, Estimates of Appropriations for the Department of Agriculture.)

It is believed that the Secretary of Agriculture would be unable to make the desired distribution and replacement free of cost to the spot markets and exchanges concerned, as the purposes contemplated do not seem to come within the grant of authority to demonstrate the standards. Therefore it is submitted for your consideration that the item above referred to should be amended by striking out the words "the investigation and demonstration" and substituting therefor "investigating, demonstrating, and promoting the use."

Very truly yours,

D. F. HOUSTON,
Secretary.

Mr. HEFLIN. What do you charge for those grades that you send out?

Mr. BRAND. The complete set of white grades is \$20. If you turn in your old set of nine boxes it is \$15. The color standards are \$25 for the set, or \$2.50 a box.

Mr. HEFLIN. I thought you had a box with nine grades in it. One box for all the grades.

Mr. BRAND. No. We are studying that subject in connection with item 41. That is a point that was not brought out yesterday. In connection with the investigation and demonstration of cotton standards we are trying to devise practical forms of grade standards that the county agents and other persons can use in teaching people something regarding the value of their cotton—a simpler form of standards which would be suitable for such use, though not for the cotton trade itself.

Mr. HEFLIN. It would be a good idea; and if you had those standards at a cheaper price, the farmers themselves could buy them.

Mr. BRAND. We have devised five or six different methods and are carrying on experiments for popularizing the form of the standards.

Mr. HOWELL. How many cases have you been called in to arbitrate, on future contracts, this year?

Mr. BRAND. Up to December 1, 1,003 cases, involving 65,884 bales of cotton.

Mr. HOWELL. So that this appropriation of \$60,000 is now fastened upon us permanently so long as cotton is grown?

Mr. BRAND. I should think, considering the beneficial purposes of the act, that there would be a continuing appropriation.

Mr. HOWELL. I was inquiring to see if, after the trade got thoroughly acquainted with the spot market and the method of doing it, they would not, to a large extent, relieve you of this arbitration you are carrying on.

Mr. BRAND. That is a possibility, but in every case of such arbitration they must pay the costs. We have returned to the Treasury, as a result of this, nearly \$24,000 of the sum that has been appropriated for this work; also a sum in excess of \$10,000 from the sale of

standards, and a sum in excess of \$10,000 from the sale of cotton found to be no longer necessary for the preparation of standards, making over \$45,000 that we have returned altogether.

Mr. HOWELL. How do you charge for the settlement of these disputes?

Mr. BRAND. We charge 20 cents a bale if only one question is included, and more if more than one is included.

Mr. HAUGEN. Here is the language of section 6:

SEC. 6. That for the purposes of section 5 of this act the differences above or below the contract price which the receiver shall pay for cotton of grades above or below the basis grade in the settlement of a contract of sale for the future delivery of cotton shall be determined by the actual commercial differences in value, etc.

Further down it says:

The said differences above or below the contract price which the receiver shall pay for cotton above or below the basis grade shall be determined by the average actual commercial differences in value.

Have any of those cases been referred to you in determining the actual value? At 80 points the difference is \$4 on each bale. Suppose I have a contract to deliver 1,000 bales to you of a certain grade, but on examination I have not 500 bales of that grade, and I tender 500 bales that are graded at the grade below, but they are within 20 points, or one quarter, of the grade above, which would make them worth \$3 more than the grade below, or what they are graded. Now, the question comes up between you and me whether I am entitled to the \$3, or how much I am entitled to for the extra value over that grade. Under the law as an operator on the cotton exchange I am entitled to \$3 per bale.

That is a benefit that is given to the operators on the cotton exchange but not to the farmers, and there was some objection to it on the ground that that discriminated in favor of the operator on the board of trade in giving them the benefit of the difference between the two grades fixed and not to the other people.

Mr. BRAND. Some sections of the cotton trade complain that we have given a benefit to the exchanges and declined to give it to the spinners and spot merchants; so that we are receiving communications from cotton spinners and others who want us to determine disputes.

Mr. HAUGEN. The law gives the difference between the two.

Mr. BRAND. Yes.

Mr. HAUGEN. But what advantage do the cotton operators of the exchanges get from this act? Do they as a general thing get pay for actual value of the cotton?

Mr. BRAND. We pass, as I stated before, upon the true grade, quality, or length of staple.

Mr. HAUGEN. Then, so far as the price is concerned, they must determine that.

Mr. BRAND. Yes.

Mr. HAUGEN. You grade it, do you not? You fix the grade?

Mr. BRAND. Yes.

Mr. HAUGEN. For them; but under the law and your ruling it must be graded either "strict middling" or some other grade established?

Mr. BRAND. Yes.

Mr. HAUGEN. There are differences in between those grades you fix?

Mr. BRAND. Very slight differences, as I said before; not sufficient so that the difference results in an injustice.

Mr. HAUGEN. If they are but slight differences, why the difference in the price?

Mr. BRAND. The benefit of the uniformity of standards far outweighs the difference in price.

Mr. HAUGEN. That is not the question. There is a difference in the cotton, some being above and some below the grade established by you. It can not be exactly of that grade. Some may come almost up to a certain grade and some below.

For instance, wheat may be almost number one, but it falls a little below. It may have a little more moisture; consequently, it is graded below. But after all, it is worth more than the wheat that comes in the grade below. If you deliver cotton on future contracts, if we settled according to law, I am entitled to the difference, that is, whatever the value may be above the value of its grade value. Has that question been raised, and has it been brought to your attention and taken advantage of?

Mr. BRAND. It is determined daily in the spot markets, as I outlined, and wired to us and to the future markets to use in determining the averages to be used as the basis of settlement.

Mr. HAUGEN. That is true as to the grades, but the differences that come between the grades—

Mr. BRAND. We take no account of the differences between the grades.

Mr. HAUGEN. And that question has not been submitted to you?

Mr. BRAND. It can not be submitted to us because the contracts of the exchanges require that the cotton must be delivered according to the standards of the United States.

Mr. HAUGEN. Have you any knowledge of the operators on the exchanges taking advantage of that provision of law?

Mr. BRAND. When you say "taking advantage," I do not quite understand what you mean.

Mr. HAUGEN. Or benefit; I do not care what you call it.

Mr. BRAND. The trade has been very greatly benefited, we believe. The value of the contract has been considerably enhanced.

Mr. HAUGEN. You are talking about one thing, and I am talking about another. If you do not care to answer the question, very well; I will not press it; let it go.

Mr. BRAND. I am glad to answer any question.

Mr. HAUGEN. I take it you have read the law.

Mr. BRAND. I can almost repeat it from memory.

Mr. HAUGEN. Then you know what the differences are?

Mr. BRAND. Yes.

Mr. HAUGEN. And you know what this language means, "above or below the basis grade"?

Mr. BRAND. Yes; I think so.

Mr. HAUGEN. And that there is a difference. Now, of what benefit is that to the operator; or what use is made of that by the operator?

Mr. BRAND. Those distinctions are not recognized.

Mr. HAUGEN. Not at all in the trade?

Mr. BRAND. Not at all. Delivery is made in accordance with the standard. He declares always upon the grade and never between the grades.

Mr. HAUGEN. And the cotton is delivered at the price of that particular grade?

Mr. BRAND. At that particular grade.

Mr. HAUGEN. That is all I want to know.

Mr. BRAND. And each man decides for himself which grade comes nearest to giving him the value which he places on the cotton, and he offers it at that grade. If the other party to the contract does not believe he is getting a square deal, he disputes it and submits it to the department.

Mr. HAUGEN. Now, when delivering cotton almost up to the grade below, he delivers it at the grade below—no matter what the value may be?

Mr. BRAND. No. We do not go into that. The trouble is, there, that you conceive of a possibility that does not exist under the act.

Mr. HAUGEN. The act provides for it.

Mr. BRAND. No.

The CHAIRMAN. Let me interrupt you, gentlemen. I do not think your minds are meeting at all. Let me see, Mr. Haugen, if I get your viewpoint.

Mr. HAUGEN. Yes.

The CHAIRMAN. Mr. Haugen conceives this situation: Here is a bale of cotton which grades not quite up to strict middling.

Mr. BRAND. Yes.

The CHAIRMAN. Within a fraction of strict middling. Here is another bale of cotton which grades, say one-half way between strict middling and middling. Now, the question in Mr. Haugen's mind is, when you come to determine the grade, when the dispute is made, do you put this bale that almost grades into strict middling into strict middling or do you drop it back to middling?

Mr. BRAND. We put it in strict middling if it is nearest that grade.

The CHAIRMAN. The one that grades a little below the half-way line—would you put that into middling cotton and not into strict middling? Is that it, Mr. Haugen?

Mr. HAUGEN. No. That is not what I am getting at. What is the grade below strict good middling?

Mr. BRAND. Middling.

Mr. HAUGEN. Middling. Now I have a contract with you to deliver a thousand bales, and I have 500 bales that are strict middling, and here I have 500 bales that are not quite strict middling. Consequently, you must grade them the grade below?

Mr. BRAND. No. We must grade them according to what we find them to be and put them in the nearest grade.

Mr. HAUGEN. Would you put them in the grade above?

Mr. BRAND. With all the cotton in the contract before us, we try to say accurately where the cotton should go, in order that there may be fair and honest treatment to each of the parties to the contract.

Mr. HAUGEN. First, you fix the standard, and it has got to come up to standard before it can be graded thus and so?

Mr. BRAND. Yes.

Mr. HAUGEN. Here comes cotton that is not quite up to that standard, and if it does not come up to that grade it has got to go to the grade below, does it not?

Mr. BRAND. If it is too low for the upper grade it has got to go to the lower grade.

Mr. HAUGEN. Here comes cotton that is better than the grade below but not of good enough quality to go into the grade above. What do you do with that? You have to grade it down below. No matter whether you put it in grade above or below, the difference still exists. When this cotton is tendered on contract for future delivery, under the law the operator can take advantage of that difference. If it is three-quarters above the established grade and if there is \$4 difference in the two grades established, he is entitled to \$3 of the four. That is the law. Now, the point is, has that question been raised before the department? As I understand, you simply deal with grades. You do not fix any middle grades?

Mr. BRAND. We deal with grades and differences.

Mr. HAUGEN. What do you do in that case? Here I have 500 bales that come within a quarter of the grade above, and the difference is \$4 a bale. What do you do in that case?

Mr. BRAND. Each contract has 100 bales in it. If the disputant disputes the whole 100 bales, and there are slight variations, the experts in classing consider each bale on its own merits. If a bale is almost strict middling, they will put it into strict middling. If, in another case, the bale is a little better than middling but not good enough to go into strict middling, it will go back to middling. As a consequence, when you have completed the examination of the contract of 100 bales, if you have been accurate, you have done justice to each of the disputants.

Mr. HAUGEN. I am talking about differences and you are talking about grading.

Mr. BRAND. I am willing to talk about any feature of the matter that you wish. I am familiar with all of them.

Mr. HAUGEN. But when it comes half way between, what do you do with that difference?

Mr. BRAND. If all of it has been running high and it has been what we call a good delivery, we may put it up into the next grade. If it has been running low, and it is a very close margin, we will probably put it into the next grade below.

Mr. HAUGEN. Have you not a maximum to go by?

Mr. BRAND. We follow our standards. I might go a little further and that might improve our understanding of each other.

Mr. HAUGEN. Very well.

Mr. BRAND. The grade is not a flat surface. There are 12 types in each box, and those 12 types represent a certain degree of variation; so that within them you have an area that has thickness as well as surface.

Mr. HAUGEN. You are talking about your grading and I am talking about the differences between the grades, and there does not seem to be any distinction between the two.

To make it clear, take wheat. No. 1 wheat is worth a dollar a bushel.

Mr. STEELE. Stay on cotton.

Mr. HAUGEN. I have thrashed out the cotton proposition. Say No. 1 wheat is worth a dollar a bushel, and No. 2 wheat is worth 96 cents a bushel. But here is a grade that comes within a quarter of that No. 1, and, under the rules, unless it comes up to the standard, you must grade it the grade below, because your rules, if they

provide for anything, must provide that this must come up to certain standards.

Now, here is wheat within one-quarter of No. 1. That has to go down to No. 2. The actual value of that wheat is 99 cents a bushel, but it is graded No. 2, which is worth only 96 cents. This bill provides that, if I have entered into a contract for the delivery of No. 1 wheat, I am entitled to the 99 cents.

Mr. BRAND. As determined in accordance with section 6 of the act which provides for the designation of spot markets, whose average differences, based on spot transactions, above and below the basis grade, are required to be used. You have in mind a particular quality delivered; that involves a specific contract and not a basis contract.

Mr. HAUGEN. Now, a man gets 99 cents for that wheat because there is the difference of 4 cents between grades, and his particular wheat comes within one-quarter of coming up to the standard; so, instead of getting 96 cents, he will get 99 cents under the settlement and under the terms of this law.

Mr. BRAND. If it is No. 1 he will get 99 cents, and if it is No. 2 he will get 96 cents, if those are the prices of the grades at the time of settlement.

Mr. HAUGEN. But it is neither.

Mr. BRAND. It can not be. Under the law, in this case there can be no dispute between the parties. It must be delivered as one or the other grade in accordance with the standards.

Mr. HAUGEN. What does this language mean, then? That is what the language says.

Mr. BRAND. All the quotations in the spot markets are made on the official cotton standards, and the cotton delivered on future contracts is classed on the same standards as the cotton sold in the spot markets.

Mr. HAUGEN. What does this language mean:

The said differences above or below the contract price which the receiver shall pay for cotton above or below the basis grade—

That is your No. 2 or No. 1, now—

shall be determined by the average actual commercial differences in value.

And the actual commercial difference would be three-quarters above 96.

Mr. BRAND. The actual commercial difference must be based on the standards that have been established. There is no standard in the area to which you are addressing yourself, that is, between the respective grades. There is a quotation from the spot markets for No. 1 and there is a quotation for No. 2.

Mr. HEFLIN. Not for one and a half?

Mr. BRAND. Not for one and a half. The classer has to determine from the foreign matter and other conditions what grade it is.

Mr. HAUGEN. I am not talking about classes. I am talking about a contract. The classer has to class it as No. 1 or No. 2. It is above No. 2. What becomes of that difference between it and No. 2?

Mr. BRAND. In our work we take no account of the differences existing between the grades as evidenced by the standards.

Mr. HAUGEN. Yes; but what do the operators do?

Mr. BRAND. If they are selling on the spot they get the benefit of the actual differences. If they find a spinner who is after cotton of that particular class, they may get a little more; that is, in the

spot market and not in the future market. You have been discussing future contracts. You agree with me with reference to the spot market, although we do not seem to understand each other regarding the future market. In other words, what you have in mind actually does occur in the spot market in actual transactions, but it can not occur on future contracts, which are dealt in in enormous volume and are dealt in absolutely according to grade, and in no other way.

Mr. HAUGEN. Then, do you contend that this language does apply to the future?

Mr. BRAND. It applies to the future but not to the spot market, so far as settlements are concerned.

Mr. HAUGEN. I understood you to say that differences in grade were taken into account in the spot market and not in the future market.

Mr. BRAND. The differences in value between grades expressed in points on or off middling are determined in the spot markets and are telegraphed to the future markets.

Mr. ANDERSON. The language says, "grades above or below." It does not say, "differences between the grades," but it says, "grades above or below;" and your statement is made on the basis of grades and not on the differences between the grades?

Mr. BRAND. Yes.

The CHAIRMAN. Half grades and quarter grades?

Mr. BRAND. Yes.

Mr. HAUGEN. No consideration is given to half grades?

Mr. BRAND. What were formerly called half grades are now full grades in the contemplation of the law, and quarter grades are not recognized in settling future contracts.

The CHAIRMAN. Are there any further questions?

Mr. HEFLIN. Do you think that the producer would be benefited by amending the act so that there would be consideration given to fractional grades as suggested by Mr. Haugen?

Mr. BRAND. Not in future transactions. The amount of splitting that would result would make such a lack of uniformity that what you might gain in a small way you would lose in a large way. It would be of very questionable benefit to attempt to fix standards for quarter grades.

STATEMENT OF MR. W. R. MEADOWS, COTTON TECHNOLOGIST, IN CHARGE OF INVESTIGATIONS OF SPOT AND FUTURE MARKETS, OFFICE OF MARKETS AND RURAL ORGANIZATION.

The CHAIRMAN. Tell us briefly what you do in investigating the future and spot markets in cotton.

Mr. MEADOWS. It will be necessary to add little to what Mr. Brand has said. He has necessarily covered a part of the project I wish to speak about. As the name of this project implies, it is maintained for the acquirement of information that will help those who are engaged in the enforcement of the cotton-futures act to perform that service. It is, in a sense, the eyes and ears of our office for the performance of the duty of enforcing the cotton-futures act. It is a kind of handy man about the place to send out to do things and to gather information and to bring it back to the office.

To present the matter as succinctly as possible I shall, with your permission, put all I have to say under two heads—first, the results that we have already accomplished and, second, what we propose to do.

Under the first of these heads I wish to state that when the law was enacted the duty was imposed upon the Secretary of Agriculture to write rules and regulations for the proper enforcement of certain provisions of the act. One of the first steps that was taken was to send men into the spot markets and to the future exchanges to get information which would serve as a basis for formulating, in collaboration with the Solicitor's office, the rules of the Secretary.

The second thing we have accomplished is the investigation of the future exchanges in order that their rules might be made to conform to the law and to the rules of the Secretary of Agriculture under the law. It was necessary to assist in making certain adjustments of the rules of the exchanges, and it needed men who were familiar with both the rules of the Secretary and the rules of the exchanges in order to get the proper harmony between the two. That is the second work that we have accomplished.

The third undertaking on our part has been the investigation of conditions in the spot markets of the South. We have visited these markets as often as it has been necessary and have designated certain ones as bona fide spot markets under the act. The following cities have been thus designated: Norfolk, Augusta, Boston, Savannah, Charleston, Montgomery, Mobile, Memphis, New Orleans, Houston, Galveston, Dallas, Fort Worth, and Little Rock. As a prerequisite to the designation of each of these cities, the cotton exchange located therein agreed to the following conditions:

- (a) That it would adopt the official cotton standards of the United States and that it would quote its market thereon.
- (b) That it would maintain a fairly constituted quotation committee, that quotations might be correct.
- (c) That it would follow the rules of the Secretary of Agriculture in the making of quotations.
- (d) That it would supply regularly by wire these quotations to the future markets and to the Department of Agriculture.
- (e) That it would otherwise cooperate to the best of its ability in the enforcement of the cotton-futures act.

In other words, these exchanges agreed that they would do what we should ask them to do to help us enforce this measure properly.

Our fourth undertaking has been the securing each day of quotations from the designated spot markets by wire. These telegrams have been assembled in our office, and a difference sheet has been prepared showing the true commercial differences for the day. The differences that have been compiled by us have served as checks against the commercial differences that are in use in the settlement of future contracts on the Cotton Exchange in New York. I might state that identical telegrams are sent by the spot exchanges to the future exchanges and to our office here in Washington.

Fifth, when necessary, local conditions in the various spot markets have been investigated by personal visits. Incorrect quotations for cotton in these markets have been corrected from time to time through persuasion. It has only been necessary to call the attention

of the quotations committee to any quotation that we thought was erroneous and ask them to check the quotation against sales of actual cotton in the market, to secure a correct quotation, and they have always complied. Their quotations have given a safer basis for estimating commercial differences for the settlement of future contracts, and at the same time they have afforded the seller of spot cotton in the South a better market for his product.

Sixth, investigations have been made of the cotton exchanges at Liverpool, Bremen, and Havre with the view of securing by each of them the adoption of the official cotton standards of the United States, and also to ascertain the form of future contract in use on each of those exchanges and to determine as far as practicable to what degree such contracts were in conformity with section 5 of the cotton-futures act and what changes would be necessary to place such contracts in complete conformity with the act.

Seventh, while on official visits to these foreign exchanges, two other lines of investigation were undertaken, and it is believed that valuable information was gained.

The first of these was concerned with the prospective demand for cotton of the crop of 1914 in England and in continental Europe.

The next was concerned with ways and means of shipping cotton to continental Europe under the conditions prevailing during the winter of 1914-15.

The results of this investigation were not only placed at the disposal of the Department of Agriculture but were also furnished to the Department of Commerce and were of value to American cotton exporters, cotton shippers, and therefore to the producers.

That is what we have done, Mr. Chairman.

Now turning to the work of the future—

The CHAIRMAN. Before you do that; that completes that one line?

Mr. MEADOWS. Yes, sir; that completes the outline of what has been accomplished.

The CHAIRMAN. I understand that you were designated by the Secretary to make the investigations into the future markets at Liverpool, Bremen, and Havre?

Mr. MEADOWS. Yes, sir.

The CHAIRMAN. With the view, if possible, of having such changes or suggesting such changes in their contracts as would make them conform to section 5 of the cotton-futures act, so that they might be designated under the law?

Mr. MEADOWS. Under the law; yes, sir.

The CHAIRMAN. I have been informed, probably by you, that except for the war you probably would have succeeded in having the contract of the Bremen exchange changed in such a way as to make it possible for the Secretary to designate it as one of these markets under the act. Is that true or not?

Mr. MEADOWS. I think that is very likely true. In fact, it was suggested by some gentlemen in Bremen that that exchange might be willing to make slight changes in its contract so as to have it conform with the cotton-futures act.

The CHAIRMAN. Is that exchange still open and operating?

Mr. MEADOWS. I was there over a year ago. I do not know what it is doing at this time. At that time business was dull, but the

exchange was still in operation; the members of the exchange were there, and were trading in spot cotton, but not in future contracts.

The CHAIRMAN. Bremen is a future market?

Mr. MEADOWS. It is a future market under normal conditions.

The CHAIRMAN. If Bremen should adopt the contract, as it was and still is, as you hope that she may do, would the complaint as to section 11 be a justifiable complaint?

Mr. MEADOWS. If Bremen had adopted it, that would certainly have removed all complaint for any cotton that was shipped to continental Europe, because they could have hedged it in Bremen, which is the leading market on the continent.

Mr. HEFLIN. A little while ago you said something about these differences that you obtained in the spot markets to take the place of the commercial differences formerly used on the New York Cotton Exchange. I suppose you meant that these commercial differences that you made on the spot markets were to take the place of fixed differences used in the New York Cotton Exchange, did you not?

Mr. MEADOWS. I did not mean to say exactly what you attribute to me. I meant to say that the commercial differences that are imposed by the cotton-futures act are quoted directly to the cotton exchanges from the South. We get identical telegrams and compile that same information here in Washington, and if there is a discrepancy between the New York Cotton Exchange differences and ours, we investigate the matter immediately and ascertain who is right or wrong.

Mr. HEFLIN. That is what I mean. Before this Lever act was framed or passed, the New York Cotton Exchange used the fixed-differences principle?

Mr. MEADOWS. Yes; they used fixed differences.

Mr. HEFLIN. And we substituted this provision of the law in order to make the commercial differences obtain.

Mr. MEADOWS. Yes.

Mr. HEFLIN. And that is what you do now by your work?

Mr. MEADOWS. Yes. We have the commercial differences now.

Mr. HEFLIN. Do you not think that it would be a good idea for you to require these quotation committees at each spot market in the South designated by you to follow up with a letter each week, saying, "We wired you on Monday and Tuesday that the quotations here were as follows," so that, if the telegraph operator did make a mistake in giving the figures, you would have these letters mailed each week, which nobody would see except you and the operator.

Mr. MEADOWS. That has been attended to. We have the telegraphic service confirmed by mail.

Mr. HEFLIN. You do that?

Mr. MEADOWS. Yes. That has been in effect ever since the telegraphic service was inaugurated.

The CHAIRMAN. Are there any further questions on what has been done? If not, the next proposition is, what you are going to do.

Mr. MEADOWS. Yes, what we are going to do now, just as short as I can make it.

The CHAIRMAN. All right; go ahead, now.

Mr. MEADOWS. We propose to continue the supervision of spot markets for cotton in order to assure reasonably correct quotations.

In other words, these visits to the spot markets and the investigations which we have made in the past will be continued, and we will keep our office in the closest touch with each of the designated spot markets in order that we may know at all times that their quotations are reasonably correct.

Second, the plan of enforcement of the cotton-futures act necessitates that commercial differences shall be established daily in Washington as a check against those actually in use in New York. In other words, we are going to continue the same plan that I told you about, in the supervision of differences in the future markets.

Third, it is our purpose to designate from time to time other cotton markets in the South as bona fide markets under the cotton-futures act. Such a course will tend to the simplification and perfection of the means for quoting prices on the South's great product. It is constructive work tending to facilitate economic distribution and therefore is of benefit to producers.

Fourth, the continued investigation of future exchanges is necessary in order that those entrusted with the enforcement of the cotton-futures act may be properly informed of conditions on the future exchanges at all times.

Fifth, the information acquired through the maintenance of this project will be placed at the disposal of other cotton projects in the Office of Markets and Rural Organization for whatever good they can derive from it.

The CHAIRMAN. Is that all?

Mr. MEADOWS. Yes, sir; that is all I have to say. I have omitted details and have tried to give you just the results accomplished and a general outline of what we propose to do.

STATEMENT OF MR. CHARLES J. BRAND, CHIEF OF THE OFFICE OF MARKETS AND RURAL ORGANIZATION—Continued.

Mr. HAUGEN. I can hardly believe that Dr. Brand wants the statement to go into the record that especial advantages are given to those that deal in spot markets over others.

Mr. BRAND. Future markets.

Mr. HAUGEN. If you said "spot markets" you meant the other?

Mr. BRAND. Yes; if I did. I intended to say future markets.

Mr. HAUGEN. It can be taken advantage of in future markets and no advantage can be taken of it in spot markets?

Mr. BRAND. I take you to mean that the facilities for the determination of disputes are utilized by the future markets and can not be utilized by the spot markets?

Mr. HAUGEN. This deals with the future, and here is the language:

Provided that in case cotton of grade other than the basis grade be tendered or delivered in settlement of such contract, the differences above or below the contract price which the receiver shall pay for such grades other than the basis grade shall be the actual commercial differences, determined as hereinafter provided.

And that is provided for later. Now, this has reference to the future. Here is the language in section 9:

SEC. 9. That the Secretary of Agriculture is authorized, from time to time, to establish and promulgate standards of cotton by which its quality or value may be judged or determined.

The difference is this: The farmer or the shipper sells cotton that is three-quarters above the grade which it is graded, and, the difference being \$4 on the bale between that grade and one above, he receives no benefit for value above grade which is \$3 a bale. But the fellow operating on the exchange turns around and delivers that same thousand bales on a future contract, and he gets the benefit of the \$3 a bale, or \$3,000.

Mr. BRAND. I do not think your conclusion is warranted.

Mr. HAUGEN. Well, that is the law.

Mr. BRAND. Mr. Chairman, I neglected, through oversight, to call the attention of the committee to the distribution of the grades. Each red pin on this map represents 10 sets [indicating on map]; each blue pin 5 sets, and each white pin 1 set, which have been distributed by the office under the law. Nearly 620 sets have been distributed thus far. This, in a way, visualizes the very wide distribution that has taken place since the standards were promulgated.

The CHAIRMAN. Where is this set located?

Mr. BRAND. At Minneapolis, and we have a set out in Oakland, Cal., where there is a cotton mill, and also several sets in the new cotton-producing sections of California and Arizona.

The CHAIRMAN. Is there anything further about this? If not, I want to ask you about the increase. You are providing for an actual increase of \$68,740 over the amount carried in this item last year?

Mr. BRAND. Yes.

The CHAIRMAN. Briefly tell us why this increase.

Mr. BRAND. That increase is made to replace the sum which is being expended this year from the continuing appropriation.

The CHAIRMAN. How much was that?

Mr. BRAND. The original sum was \$150,000, and the sum provided here is about \$1,500 less than is available this year.

The CHAIRMAN. You had available, therefore, this year \$125,000 as carried in the act?

Mr. BRAND. No.

The CHAIRMAN. You had a \$85,000 allotment plus \$75,000 appropriated.

Mr. BRAND. A year ago last August we had \$150,000. Fifty thousand dollars of that sum was allotted to the work of that fiscal year. Eighty-five thousand dollars has been allotted to the work of the present fiscal year. The sum of \$68,740 plus the \$1,500 reduction, would amount to about \$70,000; so that we have, as a matter of fact, provided for about \$1,500 less than we are now using.

Mr. HAUGEN. That is for the enforcement of this act.

The CHAIRMAN. Is that clear to you gentlemen? Is it clear to you, Mr. Anderson?

Mr. ANDERSON. Not very.

Mr. HAUGEN. It is clear to me, Mr. Chairman, that we are appropriating \$75,000 to enforce an act which is not in existence.

The CHAIRMAN. That is a difference of opinion.

Mr. HAUGEN. Some courts have passed on it, and I am against the whole proposition of this Government enforcing laws that have been declared unconstitutional by the courts.

The CHAIRMAN. That is a matter of policy.

Mr. HAUGEN. It is simply a hold-up, and I do not think it is a wise policy.

Mr. HEFLIN. How about this decision as a hold-up? It was handed down and recorded.

Mr. HAUGEN. I suppose it was; but, after all, we have to have some respect for the courts; if so, why hold up people as is being done in an effort to confuse laws declared unconstitutional by our courts?

Mr. BRAND. Perhaps it would make the matter a little clearer if I stated it in this way: Fifty thousand dollars was allotted for the remainder of the fiscal year 1915.

Mr. HAUGEN. That would be—

Mr. BRAND. Up to June 30, 1915. Last June the sum of \$85,000 was allotted for the fiscal year in which we are now operating.

The CHAIRMAN. 1916?

Mr. BRAND. 1916. This leaves a balance of \$15,000 from the continuing appropriation originally made by Congress to be used in the next fiscal year.

The CHAIRMAN. For allotment in the fiscal year 1917?

Mr. BRAND. Yes.

The CHAIRMAN. So that you would have then—you are estimating, then—\$120,750, and to that you would add \$15,000 from the continuing appropriation, which would make the total in the next year for this matter—

Mr. BRAND. One hundred and thirty-five thousand dollars for the total sum from the continuing appropriation and from the present estimate.

The CHAIRMAN. Now, I think I see light on it. Do you see it, Mr. Anderson?

Mr. ANDERSON. Yes; but I do not just see why you wanted an increase from \$75,000 to \$80,000 used last year to \$125,000 used this year.

Mr. BRAND. What is that?

Mr. HAUGEN. Your statement of the estimate is \$125,000?

Mr. BRAND. Our estimate is \$120,000, and there remains a balance under the continuing appropriation of \$15,000.

Mr. HAUGEN. Then you will have available \$135,000?

Mr. BRAND. Yes.

Mr. HAUGEN. Last year you used \$80,000?

Mr. BRAND. No. Last year we had \$75,000 from the annual appropriation and \$85,000 from the continuing appropriation.

The CHAIRMAN. Which would make how much?

Mr. BRAND. \$160,000. We are continually reducing the amount, in other words.

The CHAIRMAN. For the next fiscal year you say you have a reduction of \$1,500, but you have a greater reduction than that?

Mr. BRAND. The difference, or apparent greater reduction, is caused by transfers to the statutory roll amounting to about \$18,000 or \$19,000. We have cut the lump sum by the amount we have put on the statutory roll.

Mr. HAUGEN. What is the amount you are going to use next year?

Mr. BRAND. About \$135,000.

The CHAIRMAN. I think that makes it clear.

Mr. BRAND. Yes.

The CHAIRMAN. It is a question of the statutory roll.

Mr. BRAND. Yes.

The CHAIRMAN. There is one other item in the miscellaneous items, page 223 of the Book of Estimates, item 10, as follows:

To enable the Secretary of Agriculture to cooperate with the several States in the employment of agents to acquire and diffuse useful information connected with the distribution and marketing of farm products through investigational, demonstrational, or extension methods, \$35,000.

That is a new suggestion?

Mr. BRAND. Yes.

The CHAIRMAN. What do you propose to do under that?

Mr. BRAND. The importance of improvement in marketing conditions in the United States is recognized by practically every State, and we are receiving weekly most urgent demands from the authorities within the States to cooperate with them in the investigation of their problems, in demonstrating better methods, in devising State marketing laws, and in all other activities relating to the improvement of marketing and distribution. It is a kind of activity which has not been provided for in any other way. Hence this item has been suggested in order to take care of it specifically. We have on hand at this moment 16 requests from different States asking for cooperation in this respect, including Massachusetts, Wisconsin, Minnesota, Iowa, also various southern States and several of the western States—a total of 16, all desiring cooperative assistance. This item is to provide specific authority and funds for such cooperation. The States denoted before do not include several with which we are now working in a preliminary way.

The CHAIRMAN. To illustrate, how would your plan work out?

Mr. BRAND. We are trying this matter out in various ways in a few cases. In Massachusetts we tried the plan of appointing one of the officers of the State Agricultural College and of the State extension division. In the case of Tennessee we have appointed a man, paying half the expense of his salary, travel, and other miscellaneous items, the college, station, and university paying the other half.

In still another State, Louisiana (although in this case we are cooperating with Mr. Rawl on another matter which will be discussed before the committee), we have put in a half-time man, the department paying half and the other half coming from the State university at Baton Rouge, to test out results. This man is stationed at Baton Rouge. In Massachusetts the agent mentioned was stationed at Amherst.

In the case of Minnesota a man was employed jointly with the agricultural college and the experiment station and was stationed at St. Anthony Park.

We were only doing the Minnesota work as a test of best methods, and the man we employed is now in Washington digesting the results. We carry on this work in the States wholly in cooperation with the State authorities.

In the case of South Carolina we have a Mr. Hoffman, who is cooperating with the State extension service there in testing out the bringing home to the people of the best marketing methods to use within the State.

There is a very great lack of information within the States as to the activities and successes in the different parts of the same State. This man devotes himself to the activities within the State, reposing his information in us, and we are thus able to put into

operation in other States the best methods of operation. We also use him as a clearing house for such information as we collect in all our work, particularly that in connection with the market news service. These men form points of vital contact between the department and the States. We have a very insistent demand for assistance from the States, but in all cases I have declined to promise any assistance, and have stated that we have made a small estimate for a possible beginning of such work. I have told them we will take the matter up with you and then decide how to proceed. Until such time I am unable to make any promises. We have been compelled to take that action in all cases.

The CHAIRMAN. How many States have been provided for now?

Mr. BRAND. We count that this is to provide for half-and-half cooperation in about 15 States. We will exact that they pay half of the salaries and half of the expense, as we see no reason why we should ask Congress to support that whole work.

Mr. ANDERSON. Is there any reason why Congress should support it at all?

Mr. BRAND. There are some good reasons. It makes for efficiency in a wonderful way if those problems can be studied through a single agency so that we shall not have 40 or 50 different agencies studying in different ways at different places and duplicating their expenses and all that. It makes for saving and for efficiency.

Mr. ANDERSON. How is this work attended to under this item? Differentiate this with respect to your other studies with reference to cooperative organizations.

Mr. BRAND. This would provide particularly for men operating within the States who would cooperate with the project leaders of the Office of Markets and Rural Organization on other problems. For instance, Mr. Bassett mentioned specifically the case of asparagus. In that instance Mr. Bassett laid the foundation and the cooperating State man took up the work from the foundation that Mr. Bassett laid and is carrying out the details of it.

Mr. ANDERSON. Then, the work to be done under this item is of the character of field work?

Mr. BRAND. Yes.

Mr. ANDERSON. It is extension work purely?

Mr. BRAND. Well, it is both investigation and demonstration work carried on through some extension methods. The men will actually carry on both investigational work and demonstration work.

Mr. HAUGEN. Yesterday we had statements as to the marketing of creamery products, cattle, hogs, and all of the products of the country. Now, what further information can you give the committee?

Mr. BRAND. Specifically, in Iowa, both the authorities at Ames and the farmers' elevator associations desire us to help with a cooperating agent. If this item went through, we would probably locate a man at Ames, Iowa, to assist them on these very problems. Iowa happens to be one of the States that has asked for cooperation.

Mr. ANDERSON. It seems to me that if the Federal Government collects the data, gets the information, puts it in shape so that it is readily understandable, and furnishes it to the different States, they ought to see to it that it is disseminated among the people. There is no limit to the extension proposition if the Federal Government wants to undertake it, and it does seem to me that we have pretty

soon got to put a definite limit on what the Federal Government is going to do in the way of extension work.

Mr. BRAND. I think this \$35,000 is a very modest sum for a very important project, and my own opinion is that as this work develops the States will gradually take it over.

Mr. ANDERSON. I am afraid it is going to be the other way around, and as it develops more and more these appropriations will grow larger and larger, and the part which the Federal Government will pay will become greater and greater and the part that the State pays will be less and less.

Mr. BRAND. I think that is true up to a certain point, but you do reach the point where it is possible to combine Federal activities with State activities, and so far as I am concerned I think it is good policy to do so where possible.

Mr. ANDERSON. Of course, if it is necessary to have some field agency to carry on this work of cooperation, that is one proposition, if it does not go beyond that; but I take it you intend to go very much further than that.

Mr. BRAND. My method has been to work a thing out and determine absolutely whether it would pay dividends to go any further than we could with that sum, and, if it was not warranted, not to ask for it. There are so many important problems that these men can handle. At present—and this actually happens—if the Tennessee man in the State work needs to know something about conditions in Chicago, usually he has to go there and make the study himself.

A service of this kind would be developed by an interchange of information, and when the Tennessee man wants to know about conditions in Illinois he can get his information immediately without the great expense of going to the neighboring State or the distant State. Within a week two Arkansas men have come to my office, on their way to Massachusetts. If we had a well-developed service of this sort—an interstate service, which need not be over-expensive even when it is finally developed—the Arkansas man could get his information from a disinterested and competent source in Massachusetts without the expenditure of two or three hundred dollars to go up there twice a year to get it.

Mr. ANDERSON. In that case how would he do it?

Mr. BRAND. In that case he would do it by correspondence or telegraph, and he would have a disinterested agency on the same basis as himself, in which he could put complete reliance.

Mr. HEFLIN. By bettering these marketing methods you benefit the farmer and the consumer, too?

Mr. BRAND. Absolutely.

Mr. HELGESEN. I recognize the necessity for the kind of work you are doing, but I do believe that in that work you ought to try to define the line beyond which you will not go in the matter of demonstration—that is, that you will not undertake to carry the demonstration work to the individual farmer; that you will carry it to the States and State agencies, but not go beyond that. If you ever go beyond that, it will take millions and a greater organization than the people have ever figured on.

Mr. BRAND. I think you have expressed our policy. A request from Mr. Helgesen's own State, from the director of the experiment

station at Fargo, came to me in Washington a short time ago to try to arrange some cooperative work along these lines. They recognize that there are very few competent men in the marketing field and that we, in the Office of Markets, have developed the largest number of such competent men in the country.

The CHAIRMAN. May I interrupt you there—I think it ought to go into this record—to congratulate you upon the type, the character and intelligence of the men whom you have brought before this committee.

Mr. HEFLIN. I second that motion.

Mr. HAUGEN. I understand you to say that you have gone beyond that with State agencies; that you have reported to certain dealers, for instance, in the fruit business?

Mr. BRAND. That is true so far as dealers are concerned; but the great use of the men who would be engaged under this item will be in getting things to the producers, particularly through the county agents.

Mr. HAUGEN. You can see the danger pointed out by Mr. Helgesen. If you furnish information to one dealer, then the question comes, what ones are to be supplied with the information.

Mr. BRAND. In that case, everyone that pays the tolls. We can not distinguish between the honest and dishonest dealer so long as he is a citizen of the United States.

Mr. HAUGEN. Or between the large and the small dealer?

Mr. BRAND. Or between the large and small dealer.

Mr. HAUGEN. Did I understand you to say that you would furnish it to those who paid the tolls?

Mr. BRAND. Except so far as it goes to our own branch offices. That is true even of newspapers, which give it the widest publicity by thousands of copies.

Mr. HAUGEN. Is that to be confined only to those that pay the tolls?

Mr. BRAND. So far as it relates to persons outside of Government employ, yes.

Mr. HEFLIN. We are furnishing scientific knowledge to the farmer as to how best to produce results from the land. It is just as essential to get the best information to him as to how to market his produce.

Mr. BRAND. I wish the gentlemen of the committee could read the correspondence that comes to my office in the course of a week on this subject.

Mr. HELGESEN. I think that is entirely true, but I think we have reached the time now when the department ought to confine itself to investigational work and to carrying the results of these investigations to the States. We have agricultural colleges and experiment stations supported by the States and the Federal Government, with competent men in them, and I believe that after the State gets this information, the result of the Federal investigation, they ought to take hold of it themselves and assimilate the knowledge with their own knowledge; because, if we do not confine ourselves to that, I do not know where the line is going to be drawn on the appropriations and the Federal organization. It is going to be immense.

Mr. BRAND. I hope I have made it clear that we do cooperate and that our cooperation within States is always arranged with those agencies.

Mr. HELGESEN. You do cooperate, but up to the present time, as I understand, the Federal Government is paying a portion of the expense. It may be, as is stated here, a small amount. It may be one-fourth or one-half, but we are contributing Federal money to State work in that cooperation with them. Now, I do not believe that that ought to be continued very many more years. I believe you ought to confine yourselves to investigational work and give the other work over to the State machinery. All the States have their colleges of agriculture and experiment stations, and the various States ought to take it over and do their own work in the States.

Mr. BRAND. I think this proposition is very much in line with what you express.

Mr. HEFLIN. And we have that information where anybody in the United States can get it by writing for it.

Mr. HELGESEN. Each State has its peculiar situation to deal with, each entirely different from the other, and each State has a piece of machinery within its own borders to look after its peculiar interests. I would have no interest at all in the information in which you are interested in your State, and you would not have any interest in mine. But if the Federal Government furnishes to your State the information necessary for your people and to my State the information necessary for my people, I would not write to Washington at all; I would write to the agricultural college and the experiment station and get what I want; and if you draw the line there you will have eliminated hundreds and perhaps thousands of Federal agents who otherwise would be covering the country and doing what the States ought to do themselves.

Mr. HOWELL. Mr. Chairman, this has gone in the record, I think. If so, it will not do any harm to have it in again.

You have quite a complete organization for dealing with the marketing of perishable products—peaches, melons, and cantaloups, etc. What do you do with that force after the season is over?

Mr. BRAND. We have built that force up, Mr. Howell, on the basis of crops that succeed each other on the market. It is merely an experiment.

Mr. HOWELL. A man who is expert in one line is expert in all?

Mr. BRAND. The work in perishable products has been an experiment. Practically all of these are handled by the same group of men. We have arranged that they should look after the strawberries which begin in March and April, then cantaloupes which come on later, and peaches, so that we have had only a small force, considering the value of the products and the seasons that they cover.

Mr. HOWELL. Those men are employed during the entire year?

Mr. BRAND. Yes, indeed, they are.

Mr. HOWELL. What are they employed on after the shipping season is over?

Mr. BRAND. There are about three months left, and I never saw a bunch of men work harder trying to get the data secured during the marketing season worked into form for publication as a basis for the next season's work. In fact, the perishable-product season is on us now, and we have not been able to get these data worked up.

The CHAIRMAN. If that is all, we are much obliged to you.

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